



Australian Government
Department of Communications



13.14

2013–14 Annual Report



Australian Government
Department of Communications

The numbers '13.14' are rendered in a large, stylized font. The '1' is a light blue rectangle. The '3' is a yellow polygon with a white center. The decimal point is a small blue circle. The '1' of '14' is a light blue rectangle, and the '4' is a dark blue polygon.

2013–14 Annual Report

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For more information about the Department and to view other publications visit www.communications.gov.au

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Letter of transmittal



Australian Government
Department of Communications

Drew Clarke

Secretary

The Hon Malcolm Turnbull MP
Minister for Communications
Parliament House
CANBERRA ACT 2600

Dear Minister

I present the Annual Report of the Department of Communications for the year ended 30 June 2014 for your presentation to the Parliament in accordance with section 63(1) of the *Public Service Act 1999* (the Act).

This Report has been prepared in accordance with the provisions of section 63 of the Act and the Requirements for Annual Reports as approved by the Joint Committee of Public Accounts and Audit.

In accordance with the Commonwealth Fraud Control Framework, I certify that the Department of Communications has reviewed its fraud control policy, guidelines and plan and has the required fraud prevention, detection, investigation, reporting and data collection procedures and processes in place to comply with the framework.

Yours sincerely

Drew Clarke
7 October 2014

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Guide to the report

This report outlines the operations and performance of the Department of Communications for the financial year ending 30 June 2014. It has been prepared in accordance with the Requirements for Annual Reports for Departments, Executive Agencies and FMA Bodies, issued by the Department of the Prime Minister and Cabinet in May 2014.

Note that figures in tables and in the text of this report may be rounded. Figures in the text are generally rounded to one decimal place, while those in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Section 1—Overview

Includes a review of the year by the Secretary and an outline of the Department, performance reporting structure, functions and services, as well as an overview of the portfolio structure.

Section 2—Performance reporting

Reports on how our programmes performed during the year and how they contributed to achieving our outcome. We assess our performance against the deliverables and key performance indicators set out in our 2013–14 Portfolio Budget Statements.

Section 3—Management and accountability

Details our governance arrangements, management practices and outcomes and workforce management.

Section 4—Financial statements

Contains our audited financial statements for 2013–14.

Section 5—Appendices

Supplementary information on a range of issues, such as a resource statement and expenses for outcome, reporting on legislation and statutory instruments, workforce demographics, and advertising and market research.

Section 6—Reference information

Provides a list of acronyms, glossary of terms, any corrections to the previous year's report, an alphabetical index and a compliance index.

Section One Overview

This section provides a review of the year by our Secretary and an overview of the Department's structure and functions, ministerial arrangements and portfolio agency structure.

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Secretary's review



Drew Clarke, Secretary

2013–14 was a year of fundamental change for our Department. The change theme emerged early in the year, as we moved to support the change of Government and with it, a new policy agenda, new Minister and new Parliamentary Secretary for the portfolio. One of the more visible changes was to our name, as we left behind the Department of Broadband, Communications and the Digital Economy (otherwise known as DBCDE) to become the new Department of Communications.

Following the election, there were some further minor structural changes resulting in the Department's two Indigenous programmes—the Indigenous Communications Program and Indigenous Broadcasting Program—being transferred to the Department of the Prime Minister and Cabinet in September 2013.

During the year we also welcomed the Office of Spatial Policy from the Department of Industry. The synergies between the spatial data work and our open and big data policy work under the Australian Government's Policy for e-Government and the Digital Economy are very apparent and I am excited about future opportunities and possibilities in this space.

We commenced building a new Department of Communications this year, amidst the change of Government, new priorities and reduced resourcing. The development and launch of our [2014–17 Corporate Plan](#) in February 2014 is a significant achievement that we can all be proud of, including because it is our first truly digital Corporate Plan. The Plan sets out four strategic priorities driving our direction and work over the next three years. I would like to thank all staff for their substantial contribution to the development of the Plan.

In April 2014, I was very pleased to launch the People, ICT and Communication strategies, which link to and support the achievement of our strategic priorities detailed in the Corporate Plan. Together, they will help us to be a leader through changing our culture and values, providing a flexible working environment supported by digital technologies, and in shaping our communication and engagement activities.

We have an ambitious work agenda ahead and a goal to position ourselves as the Australian Government's pre-eminent advisor on communications. To achieve this we need to respond more quickly to emerging policy issues and become more proactive—to look beyond the issues of the day and develop well-reasoned policy for the issues of tomorrow.

To create a more agile, capable, and efficient organisation to better advise Government on strategic policy priorities, we needed to implement fundamental changes to how we work and how we are structured. We commenced a large scale change process in 2013–14, with the goal of changing the organisational structure to align our people and our resources to our new strategic priorities. Our new structure (that will come into effect on 1 September 2014) includes three policy divisions that cut across industry boundaries to focus on Infrastructure, Digital Productivity and Consumer and Content and is complemented by the Bureau of Communications Research, and Corporate and Legal Divisions.

In conjunction with the restructure, we redesigned every job in the Department, assessed the capability of all staff and placed staff into the new structure. The total staff reduction, driven by terminating programmes and efficiency dividends, was between 20 and 25 per cent.

I recognise that undertaking a Department-wide redesign and selection process alone will not ensure we are successful in achieving our strategic priorities, and acknowledge that it has been a difficult year in many ways for the Department. However, I remain firmly committed to the change process upon which we have embarked and the significant investment we will continue to make in developing the capability of our people.

In support of our new direction, we have taken more innovative approaches to digital delivery of our products throughout the year, including a full redesign of Minister Turnbull's website to reflect his social media focus, development of a new spatial information website, the delivery of our incoming Government brief via a mobile app and the launch of the [MyBroadband](#) website. This Annual Report is a further example of this, as we have moved to produce a more innovative, dynamic digital version for users this year.

The Australian Government's new policy agendas have resulted in a shift in focus for the Department, with significant changes to the previous National Broadband Network (NBN) policy approach, an ambitious new deregulation agenda and the introduction of new approaches and policies to guide the delivery of online safety, e-Government initiatives and to address mobile black spot coverage.

The refocus of the NBN policy agenda resulted in considerable activity for us. We have helped to progress the NBN Co Strategic Review, Cost Benefit Analysis and Regulatory Review, NBN Co Board appointment processes resulting from personnel changes, negotiations with Telstra and Optus, the provision of a new Statement of Expectations to NBN Co and undertaken analysis of broadband quality and availability in Australia, resulting in the delivery of the [MyBroadband](#) website.

The Government's focus on a new deregulation agenda has been timely for this Department, given that media and telecommunications sectors are subject to a regulatory framework established in the 1990s, based on stable technologies and old business models—yet we know that these sectors are at the forefront of innovation and technological change. The Department played a key role in facilitating the repeal of more than a thousand pages of unnecessary regulation in the Communications portfolio as a result of the [Autumn Repeal Day](#) on 26 March 2014.

The Department also initiated and led or participated in a number of significant reviews this year. These covered a range of topics, including the NBN, spectrum management, Triple Zero (000) services, the ABC and SBS efficiency study and digital radio transmission.

In contrast to the new activities and review processes, the long-running Digital Switchover programme was completed in December 2013. I encourage you to take a look at the video we made for the final switch off stakeholder event, which is located on our [website](#). We led the Digital Switchover programme to deliver a better television service to Australians and provide more opportunities for the delivery of information and content and the success of this Programme has been a culmination of work by successive Governments, industry and stakeholders since the first digital broadcast in 2001. Its success has paved the way forward for the future of the broadcasting industry as well as setting an example of a highly effective Government programme.

Our restack and retune programme activity continued unabated this year and remains a key part of our communications reform agenda, as it frees up substantial amounts of spectrum, formerly used by analog television, for use by next generation mobile services. The work of the team to date in delivering the programme has been outstanding and it will remain a high priority activity until its scheduled completion at the end of 2014.

On the corporate front, it is always rewarding when our own people initiate activities that are of benefit to the broader organisation. The staff-led Innovation Network, the work of the Graduates and recent Graduates to establish the Policy Reflection Forum and the newly established Women's Network are strongly supported by myself and the entire Executive Leadership Team. I am conscious of the considerable time and effort required to drive these initiatives and I look forward to seeing them evolve in 2014–15.

This year, we continued our exciting work with the Australian Public Service Commission to coordinate a trial of high-speed broadband-enabled telework in the Australian Public Service (APS) and launched our own 'Working from Anywhere Pilot' that saw flexible work arrangements allow employees to work outside the office, for example in a home office or smart work hub. I firmly believe that having a flexible workforce improves productivity, morale and staff engagement and our work in this area will help position the Department as a leader in Government.

In relation to our overall financial performance in 2013–14, the Department reported an operating surplus of \$1.0 million (excluding depreciation) in 2013–14, down from \$1.5 million (excluding depreciation) in 2012–13, with a net cost of services of \$111.5 million.

In 2014–15, we will continue to progress the NBN reform agenda, finalise the delivery of the restack and retune programme, undertake the review of the spectrum management framework in conjunction with the Australian Communications and Media Authority (ACMA), design and implement new e-Government, online safety and mobile black spot initiatives and move into some challenging new areas in digital productivity policy.

We will also be working closely with the Board and staff of the Telecommunications Universal Service Management Agency (TUSMA) to transition to the new telecommunications universal service obligation arrangements announced in the 2014–15 Budget, which will result in the transfer of the functions of TUSMA into the Department of Communications in 2015–16, following the passage of legislation to enable this to occur.

Internally, the Executive Leadership Team and I will be focussing on bedding down the new organisational structure, implementation of the Corporate Plan strategic priorities and sub-strategies and building our policy and research capability, including through the new Bureau of Communications Research. I see organisational culture, values and capability as critical areas of focus for the Department in the next 12 months to ensure that the Department is both a high performing organisation and a place where we are all proud to work. Our Corporate Plan makes it clear that developing our people through strengthening our core capabilities in research, strategic policy, leadership and collaboration is key to performing our role.

There will also be a range of changes to our existing governance structures and business planning arrangements that will come to fruition over the coming year. These changes will streamline processes and reporting as well as improve performance, decision making and accountability structures. Finally, we will be working hard to get a new Enterprise Agreement in place for our staff.

I thank staff for their hard work and support they have shown for each other through what has been a busy and demanding year and look forward to continuing to build the new Department of Communications in 2014–15.

About the Department

The Department of Communications promotes an innovative and competitive communications sector so Australians can realise the full potential of digital technologies and communications services.

We are the Government's pre-eminent advisor on communications, in particular digital technologies and communications services.

Our four strategic priorities, as outlined in our Corporate Plan 2014–17, are as follows:

- > **Enhancing digital productivity.** We will analyse international and domestic developments in digital technologies, networks and services and how these can enhance productivity, improve competition and encourage innovation across all sectors of the economy. We will advise on the implications of Government policies and recommend appropriate policy responses.
- > **Expanding digital infrastructure.** We will provide strategic advice and policy leadership to achieve the Government's plan for a fast and affordable [National Broadband Network](#). We will deliver the Government's [Mobile Black Spot Programme](#) to expand reliable mobile phone coverage and competition in outer metropolitan, regional and remote communities. We will collaborate across Government, industry, research institutions and the community sector to develop policies that deliver more efficient, trusted and secure, enabling digital infrastructure. We will complete the [restack](#) of national and commercial digital television channels across Australia in 2014, and explore further opportunities for making spectrum available for new services.
- > **Promoting efficient communications markets.** In consultation with our stakeholders, we will rigorously assess the extent to which the current regulatory frameworks operating in the communications, broadcasting and media sectors remain appropriate, particularly given technological changes. We will develop and implement improved online safety protections for children.
- > **Strengthening our capabilities.** We will build and maintain productive alliances and professional relationships within our portfolio, across Government and with industry, the research sector and representative community groups.

We are guided by the [Australian Public Service Values](#), which underpin our work and are demonstrated in our workplace behaviours and [Client Service Charter](#).

Performance reporting

We measure our performance against key performance indicators and deliverables that are set out in our [Department's Portfolio Budget Statements](#).

Our activities were organised into three programme areas in 2013–14 to make sure we managed them in the most efficient, effective and transparent way possible. The three programmes and their key objectives were:

- > **Programme 1.1 Broadband and Communications Infrastructure.** Facilitate the increased availability of fast, affordable and reliable broadband and communications infrastructure across Australia.

- > **Programme 1.2 Digital Economy and Postal Services.** Support all Australians to safely and securely realise the full potential of the digital economy. Ensure the availability and reliability to consumers and businesses of reasonably priced basic and essential communications services.
- > **Programme 1.3 Broadcasting and Digital Television.** Ensure the switchover to digital-only television by the end of 2013. Support access to high-quality, innovative and diverse broadcasting services that deliver content consistent with Australia's diverse community expectations.

In 2014–15, we will consolidate the three existing programmes into one called 'Digital Technologies and Communications Services'. This new structure will align with, and reflect the strategic priorities and directions in our Corporate Plan 2014–17, which will drive our direction and work over the next four years.

Outcome and programme structure

Table 1.1 Changes to the outcome and programme structure

2013–14 Portfolio Budget Statements	2013–14 Portfolio Additional Estimates Statements ¹	2014–15 Portfolio Budget Statements
Outcome 1: Develop a vibrant, sustainable and internationally competitive broadband, broadcasting and communications sector through policy development, advice and programme delivery, which promotes the digital economy for all Australians.	Not applicable	Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and programme delivery, so all Australians can realise the full potential of digital technologies and communications services.
Programme 1.1 Broadband and Communications Infrastructure: To facilitate the increased availability of fast, affordable and reliable broadband and communications infrastructure across Australia.	Not applicable	Programme 1.1 Digital Technologies and Communications Services: To provide strategic advice on and effectively administer programmes and initiatives that promote an innovative and competitive communications sector so all Australians can realise the full potential of digital technologies and communications services.
Programme 1.2 Digital Economy and Postal Services: To support all Australians to safely and securely realise the full potential of the digital economy. Ensure the availability and reliability to consumers and businesses of reasonably priced basic and essential communications services.	Not applicable	
Programme 1.3 Broadcasting and Digital Television: Ensure the switchover to digital-only television by the end of 2013 and completion of the restack of services in the Digital Dividend by the end of 2014. Support access to high-quality, innovative and diverse broadcasting services that deliver content consistent with Australia's diverse community expectations.	Not applicable	

¹ The Department did not table a PAES document in 2013–14.

Department structure and functions

The Secretary of the Department throughout 2013–14 was Drew Clarke.

Several changes were made to our structure and functions in 2013–14 and included:

- > Our name being officially changed from the 'Department of Broadband, Communications and the Digital Economy' to the 'Department of Communications'.
- > Ministerial responsibility for the Indigenous Communications Programme and the Indigenous Broadcasting Programme being transferred to the Department of the Prime Minister and Cabinet, via a legislative instrument under section 32 of the *Financial Management and Accountability Act 1997*.
- > The Office of Spatial Policy being transferred from the Department of Industry to our Department with effect from 24 April 2014. It no longer exists and instead its functions are now delivered by the Data Policy branch in our Department. The transfer of the spatial policy functions means that the close links between spatial policy, big data, open data and the broader digital economy agenda can be fully realised.
- > As part of the 2014–15 Budget, the functions of the Telecommunications Universal Service Management Agency (TUSMA) are to be transferred to us. Transitional arrangements are in place until a full transfer is finalised in 2015–16.

The Department was organised into three programme groups: Telecommunications; Digital Economy; and Broadcasting, Corporate and Legal.

Telecommunications

The Telecommunications group administered Programme 1.1. It implemented the National Broadband Network initiative and associated regulatory reform and provided advice on telecommunications infrastructure and related matters.

- > Deputy Secretary—Ian Robinson
- > First Assistant Secretary—Mark Heazlett

Digital Economy

The Digital Economy group administered Programme 1.2. It provided advice on telecommunications and online services, consumer issues, postal services and the digital economy. It had responsibility for issues associated with the development of the digital economy, e-Government, regional communications, spectrum management, digital innovation, spatial policy, online safety and security.

- > Deputy Secretary—Abul Rizvi
- > First Assistant Secretary—Keith Besgrove
- > First Assistant Secretary—Richard Windeyer

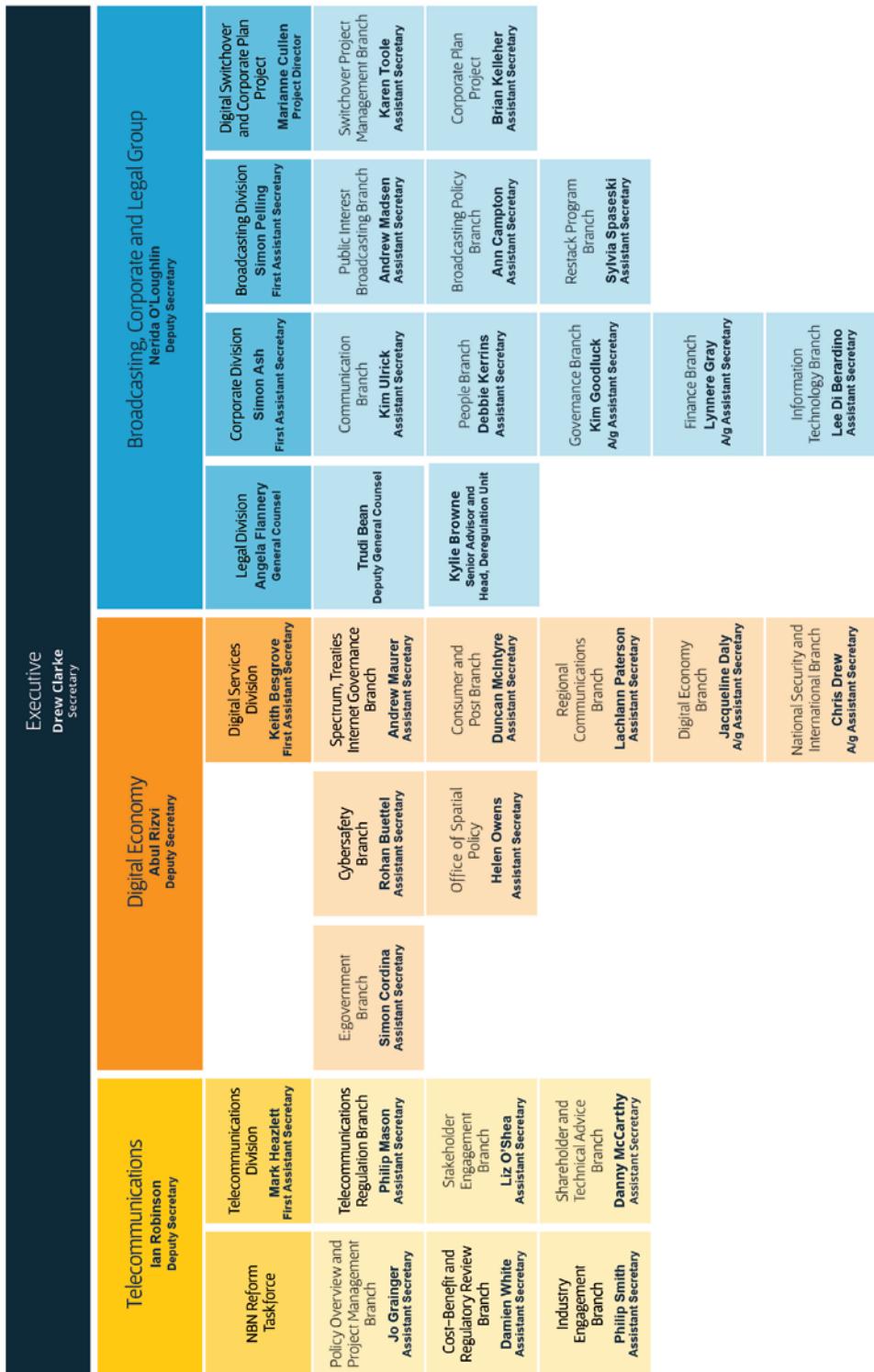
Broadcasting, Corporate and Legal

The Broadcasting, Corporate and Legal group administered Programme 1.3. It looked after all matters to do with broadcasting, digital television switchover and the restack of services in the Digital Dividend, and provided advice on national, community and commercial broadcasting. This group included the Corporate Division and Legal Division, both of which provided a range of support services for all staff across the Department. It was made up of four divisions.

- > Deputy Secretary—Nerida O'Loughlin
- > First Assistant Secretary, Broadcasting—Simon Pelling
- > Project Director, Digital Switchover and Corporate Plan Project—Marianne Cullen
- > First Assistant Secretary, Corporate—Simon Ash
- > General Counsel, Legal—Angela Flannery

Organisation chart

Figure 1.1 Department of Communications organisation chart as at 30 June 2014.



Organisational change programme

Building on a highly collaborative approach to developing the 2014–17 Corporate Plan, we started a significant change process in late February 2014, with the change team led by Marianne Cullen. The objectives were to:

- > Align our structure and resources with our strategic priorities.
- > Allow the Department to operate within available resourcing.
- > Streamline decision making processes.
- > Increase staff ownership of and accountability for their work.
- > Strengthen our capabilities.

We used a layer-by-layer sequential approach to design and staff our new organisational structure. At the same time we introduced a range of cultural change and capability building initiatives as part of the broader change programme. At 30 June 2014, we had finalised the new organisational structure to a branch level and appointed Senior Executive Level staff. By 29 August 2014, we intend to settle the section-level structure and finalised Executive Level and APS appointments. The new structure will be introduced on 1 September 2014.

To align with the changing marketplace, our new structure features three policy divisions: Infrastructure; Digital Productivity; and Consumer and Content, which cut across traditional industry boundaries to take into account the changing market structure that digital technologies are enabling. These policy divisions will be complemented by the new Bureau of Communications Research to support early identification and a deep understanding of emerging market trends and their implications for policy, as well as a Corporate Division and the Office of the General Counsel.

The realignment process will also achieve an increase in managers' spans of control; allow staff to take greater responsibility for their work; provide more scope for flexible staffing arrangements to support short-to-medium term activities; and strengthen our strategic policy capabilities. As part of the realignment, we are reviewing and revising our internal systems and processes, including implementing a new business planning, risk management and resource allocation framework in 2014–15 ensure greater alignment and integration of business, risk and resourcing decisions with the Corporate Plan strategic priorities and actions.

Visit our [website](#) to view the 2014–17 Corporate Plan.

Ministerial arrangements

Following the federal election on 7 September 2013, the following ministry was sworn in on 18 September 2013:

- > the Hon Malcolm Turnbull MP—Minister for Communications
- > the Hon Paul Fletcher MP—Parliamentary Secretary to the Minister for Communications.

From 1 July 2013 until the election, the following ministerial arrangements were in place:

- > the Hon Anthony Albanese MP—Minister for Broadband, Communications and the Digital Economy
- > the Hon Sharon Bird MP—Minister for Regional Communications
- > Senator the Hon Kate Lundy—Minister Assisting for the Digital Economy
- > the Hon Ed Husic MP—Parliamentary Secretary for Broadband.



The Hon Malcolm Turnbull MP—Minister for Communications



The Hon Paul Fletcher MP—Parliamentary Secretary to the Minister for Communications

Portfolio structure

Australia Post

Australia Post is a Government Business Enterprise, wholly owned by the Australian Government. It provides a high-quality mail and delivery service to all Australians and a range of parcel and logistics services.

Website <http://auspost.com.au/>

Australian Broadcasting Corporation (ABC)

The ABC is a national broadcaster. It contributes to and reflects Australia's national identity, fosters creativity and the arts and encourages cultural diversity. The ABC is an integral part of the radio, television and online production industries and the news and information media.

Website www.abc.net.au

The Australian Communications and Media Authority (ACMA)

The ACMA is responsible for regulating broadcasting, radiocommunications, telecommunications and online content in accordance with legislation. The ACMA works with all stakeholders to maximise the public benefit, including the extent to which the regulatory framework addresses the broad concerns of the community, meets the needs of industry, and maintains community and national interest safeguards.

Website www.acma.gov.au

NBN Co Limited (NBN Co)

NBN Co is a Government Business Enterprise, wholly owned by the Australian Government. Its role is to plan, rollout and operate the National Broadband Network, providing high-speed broadband access to all Australians.

Website www.bnenco.com.au

Special Broadcasting Service Corporation (SBS)

The SBS is a national broadcaster. It provides multicultural and multilingual services that inform, educate and entertain all Australians. Its mission is to contribute to a more cohesive, equitable and harmonious Australia through its television, radio and online services.

Website www.sbs.com.au

Telecommunications Universal Service Management Agency (TUSMA)

TUSMA is responsible for supporting the delivery of universal service and other public interest telecommunications services to all Australians.

Website www.tusma.gov.au

Section Two Performance reporting

This section outlines how our three programmes performed in 2013–14, with a focus on the achievement of the deliverables and key performance indicators set out in our 2013–14 Portfolio Budget Statements.

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Programme 1.1: Broadband and Communications Infrastructure

The Broadband and Communications Infrastructure Programme aims to increase the availability of fast, affordable and reliable broadband and communications infrastructure across Australia.

National Broadband Network

National Broadband Network rollout

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Implementing the Australian Government's National Broadband Network initiative, including:

- > supporting the Minister for Broadband, Communications and the Digital Economy in his role as a joint Shareholder Minister of NBN Co

During 2013–14, the Department supported the Minister for Communications, the Hon Malcolm Turnbull MP and former ministers by providing advice on policy, regulatory and rollout issues associated with the National Broadband Network (NBN), and supported the Government to implement its NBN policy objectives.

Following the change of Government in September 2013, Shareholder Ministers announced a Strategic Review on 3 October 2013 to assess NBN Co Limited's (NBN Co) performance and the estimated time and cost to complete the NBN under a range of scenarios. On 8 April 2014, the Shareholder Ministers provided NBN Co with an updated Statement of Expectations, giving it flexibility and discretion in operational, technology and network design decisions to implement a Multi-Technology Mix NBN, as recommended in the Strategic Review.

The company has started to prepare for the transition and has started fibre-to-the-building (FTTB) and fibre-to-the-node (FTTN) trials to evaluate construction, installation, operation, service performance and customer experiences.

At the same time, NBN Co continued to roll out the NBN with construction of the NBN fibre network across all states and territories in Australia; roll out the NBN in new development areas it is responsible for; and roll out its fixed wireless network. At 30 June 2014:

- > 392,410 premises were serviceable by the NBN fibre network with 151,127 active connections.
- > NBN fibre services were available to more than 111,100 lots/premises with 45,916 active NBN services in new developments.
- > Fixed wireless services were available to 112,208 premises with 16,553 active connections.

NBN Co's interim satellite service (ISS) provides eligible rural and regional Australians with immediate access to enhanced broadband services ahead of NBN Co's long-term satellite service, which will commence operation in 2016. To augment the ISS that reached capacity in late 2013, NBN Co announced it would implement a subsidy scheme to help up to 9,000 additional premises get a reasonably priced commercial satellite service and to buy additional satellite capacity to improve the quality of services to existing ISS users.

We have been working with NBN Co to transition the ISS advisory support role fully from the Department to NBN Co after 30 June 2014. As at 30 June 2014, 42,948 interim satellite services were active across Australia.

NBN Co now has key contracts in place for its long-term satellite service. These cover the manufacture of two Ka-band satellites, equipment for the ground stations and end-user premises, building ground stations, and launch services to place the two satellites into orbit.

We supported the current Minister for Communications and former Minister for Broadband, Communications and the Digital Economy in their role as a joint Shareholder Minister of NBN Co by providing advice on the governance and oversight matters outlined in the *Commonwealth Authorities and Companies Act 1997*, and the Commonwealth Government Business Enterprise Governance and Oversight Guidelines (October 2011).

This included advising Minister Turnbull and former ministers on the NBN Co Strategic Reviews, NBN Co Board appointment processes, the draft NBN Co 2014–17 Corporate Plan, progress reports, NBN Co's 2012–13 Annual Report, NBN Co transparency measures and notification of significant events.

During 2013–14, the Australian Government provided \$3.2 billion in equity funding to NBN Co. We advised Minister Turnbull and former ministers on equity payment arrangements, including amending the Equity Funding Agreement that sets out the Commonwealth's commitment to fund the NBN within a cap of \$29.5 billion.

Policy and regulatory issues

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Implementing the Government's National Broadband Network initiative, including implementing and monitoring regulation that ensures NBN Co cooperates on an open access, non-discriminatory wholesale-only basis, facilitates the rollout of the network, and supports the installation of fibre in new developments

Monitoring implementation of the structural separation of Telstra and the Telstra Migration Plan and otherwise ensuring the regulatory framework operates effectively, particularly during the rollout of the National Broadband Network

Timely and effective policy advice on implementation of the National Broadband Network and the underpinning telecommunications legislative framework, leading to increased availability of fast, affordable and reliable broadband and communications infrastructure

Establishment of an effective migration monitoring function to provide quality advice to Government

The Department provided Minister Turnbull and former ministers with updates and advice on NBN Co's submission of its Special Access Undertaking (SAU). The SAU stipulates rules for NBN Co's conduct and the terms and conditions under which it can offer wholesale access services over its fibre, satellite and fixed wireless networks. The SAU also establishes long-term mechanisms for NBN Co to recover the cost of its investment.

After a substantial public consultation process, which included submissions from the Department, the Australian Competition and Consumer Commission accepted NBN Co's SAU on 13 December 2013. The SAU is valid to June 2040 and provides long-term certainty for NBN Co, its wholesale customers and end users.

We finalised the 'adequately served' policy. This is designed to prevent existing FTTP infrastructure that is capable of providing NBN-equivalent services being duplicated. During 2013–14, Minister Turnbull made formal determinations that 36 network areas, operated by four different carriers, were adequately served. Licence conditions stipulating infrastructure provider of last resort obligations were also carried out for these carriers.

The Department and NBN Co continued to work with key industry bodies and stakeholders to make sure processes for the migration of legacy services, such as medical and security alarms, are carried out to minimise the risk of losing functionality. To support this, NBN Co developed and launched the Medical Alarms Register on 21 March 2014, which allows end users to register their location information. We also continued to monitor NBN Co's activities and performance in brownfields and new developments, liaised with the company on its performance, examined implementation issues, consulted stakeholders, liaised with state and territory Governments, and provided information to the public and other stakeholders.

With NBN Co we also agreed on how to transition from a mandatory to optional battery backup within the FTTP footprint. To make sure consumers are protected, the Australian Communications and Media Authority (ACMA) has been consulting on developing an appropriate regulatory instrument that would require a retail service provider to gain informed consent from a customer when deciding whether to accept or reject a battery backup unit being installed, and to keep documented evidence of the consent. These processes should be finished by the end of 2014.

We continued to strengthen our governance processes around managing issues that may affect service continuity in the transition to the NBN and the structural separation of fixed line services. Our Service Continuity Coordination Committee continued to meet monthly to coordinate departmental activities. Meanwhile we continued to work closely with key external stakeholders through the Service Continuity Assurance Working Group. The Group met every three months to discuss issues relating to NBN service transition.

The Department extended its capability to support the Government with regular and ad hoc reporting and business analysis on the NBN rollout and migration by implementing further extensions to its business information systems and upgrading its customer relationship management environment.

We also continued to monitor the operation of the high capacity transmission infrastructure delivered under the Regional Backbone Blackspots Programme, which is being used by a number of parties, including NBN Co, to supply telecommunication services to both business and consumers.

Stakeholder engagement and information activities

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Providing consumers and small business with access to accurate information on the NBN rollout

Effective information sources established for consumers and small business on how to transition to the National Broadband Network

Monitor NBN Co performance and provide timely and effective reporting to Government and for the six-monthly reviews to the Joint Committee of the NBN

We liaised with NBN Co to develop and implement effective information sources about the switchover of telecommunications services to the NBN. In particular, we continued to work with NBN Co to refine the Public Information on Migration campaign, which tells end users about the imminent switchover of services from the existing copper telecommunications network to the NBN. NBN Co has tailored its advice to consumers and small businesses.

In the lead-up to the first 15 areas transitioning to the NBN from 23 May 2014, we supported the Government by working with Telstra and NBN Co on additional safeguards and communications and engagement activities for these regions. We also took part in working groups created for those wanting to access the NBN, as well as business and consumer representatives.

Regular meetings were also held with the NBN Liaison Group, which is made up of representatives from the Department, NBN Co and state and territory Governments, to update them on the progress of the NBN rollout and any regulatory and policy issues being considered.

In addition, we responded to ministerial correspondence and other enquiries relating to migration and disconnection arrangements, new developments, infrastructure installation, telecommunications competition, access to broadband and electromagnetic radiation.

We also supported the Government by coordinating its responses to recommendations in the Fifth Report of the Joint Committee on the National Broadband Network and the Interim and Final Reports of the former Senate Select Committee on the National Broadband Network. We made a submission to the Environment and Communications Legislation Committee to inform an inquiry into the National Broadband Network Companies Amendment (Tasmania) Bill 2014. We attended Committee hearings and responded to questions on notice and in writing from the Senate Select Committee on the National Broadband Network.

Telecommunications reform

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Improving the effectiveness of the regulatory framework to apply during and following the rollout of the National Broadband Network

We provided advice to Minister Turnbull and former ministers on policy issues around the implementation of NBN policy objectives. This included policy advice to Minister Turnbull on the NBN Co Strategic Review that was released on 12 December 2013.

The report recommended the Multi-Technology Mix approach that will allow the NBN to be built in a cost-effective way using the technology best matched to each area of Australia. It will make use of existing infrastructure where it is economically beneficial and consistent with NBN Co's broadband quality and speed objectives.

To facilitate the implementation of a Multi-Technology Mix approach the Department and NBN Co are negotiating amendments to the NBN definitive agreements with Telstra and Optus. It is anticipated that these negotiations will continue into 2014–15 and will result in NBN Co being able to access the required infrastructure for the new approach to project rollout. The NBN Co Strategic Review indicated that flexibility in technology use would allow the project to be implemented more quickly and cost effectively.

We also provided advice to Minister Turnbull on new transparency and reporting arrangements for NBN Co and the issuing of a new Statement of Expectations to NBN Co in April 2014. The statement confirmed that NBN Co should continue the NBN rollout using a Multi-Technology Mix approach recommended in the Strategic Review. NBN Co will determine which technologies are most cost-effective and should be utilised on an area-by-area basis, taking into account factors such as existing infrastructure, geotype, population density and demand for high-speed services.

We carried out a comprehensive analysis of broadband availability and quality in over 78,000 local areas of Australia to help prioritise the NBN rollout. The full results of the analysis were published by Minister Turnbull on 20 February 2014, following the release of a national summary report on 23 December 2013. The report compared broadband technologies available across Australia and download speeds that could typically be achieved over each platform. A complementary website, MyBroadband, allows people to view results for their local area and provide feedback.

We provided research and secretariat support to the Panel of Experts appointed by the Government on 12 December 2013 to carry out an independent cost-benefit analysis of broadband and to make recommendations on the future structural and regulatory arrangements for the sector. The panel finished its work in mid-2014.

Finally, we provided advice to Minister Turnbull on implementing the Government's election commitment to carry out an independent audit of the public policy process that led to the NBN. The independent audit, undertaken by Mr Bill Scales, started on 7 March 2014 and is due to report to Government in August 2014.



MyBroadband

website offers new rating system

A major success in 2013–14 was the release of the Broadband Availability and Quality Report and launch of the [MyBroadband website](#).

A key policy commitment of the incoming Government was that within 90 days we would report on broadband quality and availability across Australia. Despite the tight timeframe, the Broadband Quality Project team successfully designed a predictive model to evaluate broadband within 78,000 areas across Australia.

After careful consideration about the future impact the primary unit of analysis would have on the NBN rollout, a strategic decision was made to use Distribution Area boundaries, which are part of Telstra's Exchange Serving Areas that have approximately 200 premises. This level of measurement provided broadband ratings that are representative of the majority of premises in any given area.

A key challenge was obtaining network data from telecommunications carriers. Despite the obvious benefits to policy delivery, carriers have traditionally been wary of sharing data with Government. Substantial time was spent negotiating for data and refining the modelling approach. Carriers were involved at each stage to provide reassurance that the information was being interpreted correctly.

A second challenge was the magnitude of the data testing and analysis. With more than 10.9 million premises and information from fibre-to-the-premises, fibre-to-the-node, hybrid fibre coaxial, fixed wireless, asymmetric digital subscriber lines and mobile networks, this was no small task. The final report provided a detailed picture of broadband access and performance and identified 1.6 million households with no, or very poor, access to fixed broadband.

The final challenge was communicating the findings in an accessible way. A key innovation was the development of MyBroadband that provides an A to E broadband rating system, and collects internet speed test results from consumers to inform future analyses of broadband service.

The speed test has been run more than 21,800 times since launch and more than 1,500 users have contacted us, with those enquiries managed through the Department's new Enterprise Customer Relationship Management system.

The Broadband Availability and Quality project was the first of its kind in Australia and the findings have been provided to NBN Co, to prioritise work in underserved areas, where feasible.

'The Broadband Availability and Quality project was the first of its kind in Australia'



Visit annualreport.communications.gov.au to view the online version of this case study

Programme 1.2: Digital Economy and Postal Services

The Digital Economy and Postal Services Programme helps all Australians safely and securely realise the full potential of the digital economy. It makes sure consumers and businesses have access to reasonably priced and reliable basic and essential communications services.

Promoting the digital economy

Telework

The second National Telework Week was held in November 2013. Events were held around the country to support the week's theme of skills development for telework. The week opened with the Australian National Telework Congress 2013 at the University of Melbourne where the theme of management and leadership to support telework was introduced by Minister Turnbull.

This event was complemented by the APS Forum, which focused on demonstrating the key benefits and opportunities for telework in Government agencies and was opened with an address by our Parliamentary Secretary, the Hon Paul Fletcher MP. There were another 28 physical and online events held by Telework Partner organisations, including major events in Sydney, Melbourne, Brisbane and others in Perth, Adelaide and Bendigo.

Additional tools and resources were developed to help organisations and employees explore the benefits of teleworking, including the 'Telework Kit'—a guide for managers, employees and teams to support the practical implementation of telework in their organisations. We continued to grow our network of telework partners. The Telework Partner Network promotes the benefits of telework and now has more than 190 members, including leading large enterprises, small-to-medium enterprises (SMEs), research organisations and not-for-profits (NFPs).

To support the commitment to increase the level of teleworking in the APS, a telework trial was carried out in 2013–14 with seven Departments. It tested the costs, benefits and issues associated with the broader implementation of high-speed broadband-enabled telework across the APS. It finished in January 2014, with an evaluation report jointly prepared by the Australia Public Service Commission (APSC) and the Department to be completed by the end of 2014.

Telework offers big benefits

There is plenty of data to support views that flexible workplace practices such as telework improve productivity and engagement, reduce commute times and save office space. For those who live in rural and regional areas, are carers or have a disability, telework is a lifeline that increases not only employment opportunities but also a sense of being part of society.

This year we worked with the APSC to coordinate a trial of high-speed broadband-enabled telework in the APS. The APS Telework Trial was created to test the costs, benefits and issues associated with the broader implementation of high-speed broadband-enabled telework across the APS.

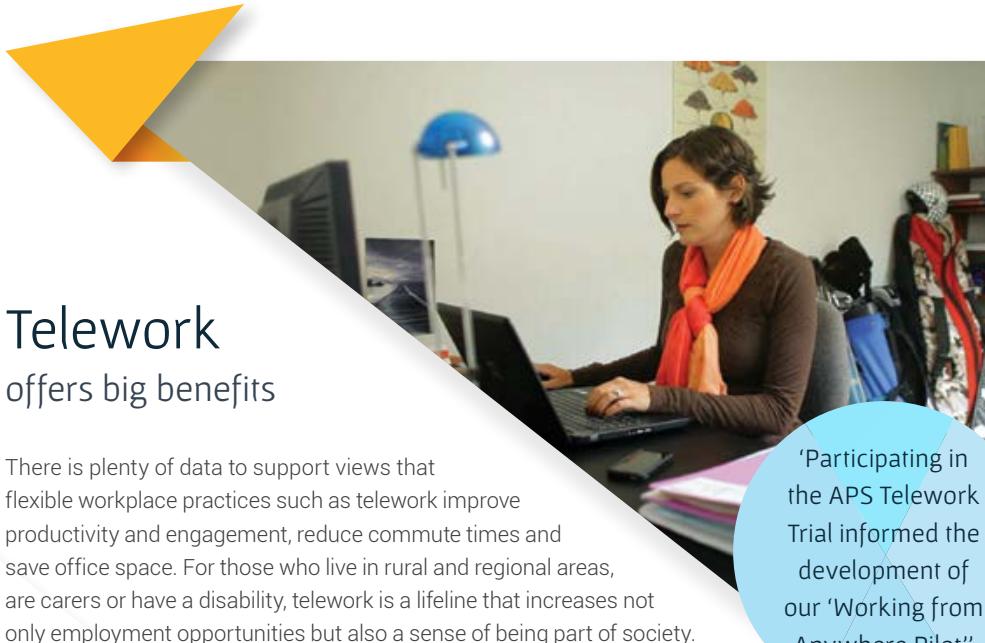
More than 150 employees across seven agencies took part. Early findings show that telework has a positive impact on employee productivity and engagement. An evaluation report being jointly prepared by the Department and the APSC is expected to be finalised by the end of 2014, and will inform future directions for telework in the APS.

Ten departmental employees took part in the APS Telework Trial. Their feedback was positive and they reported their work life balance improved and they made savings when it came to travel time and expenses associated with commuting to work. For the days they teleworked, they said they did not need to change work tasks and were more productive. Some said if telework was available it might encourage them to keep working in the Department.

The key lessons for us confirmed the need to make sure appropriate technology solutions are deployed and supported, that the capability to work and manage in a teleworking environment is developed across teleworkers as well as their managers and team members, and that ongoing support to resolve issues as they arise are critical factors if we are to succeed.

We are committed to creating an agile and flexible workforce. This year we launched our own 'Working from Anywhere Pilot' that saw flexible work arrangements allow employees to work outside the office, for example in a home office or smart work hub. Those who took part worked in an ongoing and regular routine, for a defined period, or on an ad hoc basis, while commuting or carrying out business related travel.

The outcomes of the pilot will inform our 'Working from Anywhere' initiative that will be implemented in 2014–15.



'Participating in the APS Telework Trial informed the development of our 'Working from Anywhere Pilot''



Visit annualreport.communications.gov.au to view the online version of this case study

Cloud computing

Working closely with other agencies, we implemented a number of measures during 2013–14 in relation to cloud computing.

Development of a cloud computing regulatory stock take

Released in May 2014, the [stock take](#) provides a comprehensive overview of existing regulation that applies to cloud services in Australia. The stock take covers a range of topics including:

- > deregulation
- > competition and copyright
- > contractual arrangements and consumer protection
- > data protection and privacy
- > cybersecurity
- > Government use of cloud computing
- > Government access to data in the cloud.

The stock take gives consumers and industry confidence and certainty about the regulatory arrangements that apply to cloud computing. It will also help Government identify and address issues that might come up when using cloud services. Visit our [website](#) for more information about the stock take.

Promoting the benefits of cloud computing to small business and individuals

We developed a suite of guides to promote a better understanding of cloud services for individuals and within the small business sector. [Five guides](#) were published on the Digital Business website in May 2014:

- > Questions to ask your cloud provider
- > Cloud computing myths
- > Legal tips for small business using cloud services
- > Cloud computing and privacy—small business fact sheet
- > Cloud computing and privacy—consumer fact sheet.

The guides play an important role in helping small businesses innovate and increase productivity, while making sure they are well informed about the benefits and risks of cloud services.

Data Policy

An open data policy, supported by a meaningful number of high-value open datasets, has substantial potential to deliver increased economic benefits and efficiencies. In line with international experience spatial data is a major component of the open data agenda. We have contributed to Australia's open data policy initiatives through the development of the Foundation Spatial Data Framework and the broader Open Data Delivery Network.

In 2014, the Government in collaboration with private and public partners has made substantial gains in the field of open data. Building on previous work, over 3000 additional datasets have been added since the Government was elected. That is a seven-fold increase in the amount of data that has been made available.

One of the key ways that this Department and the Department of Finance are currently delivering on the Commonwealth Open Data agenda is through the Open Data Network, which is a seamless, machine-to machine linked cross-jurisdictional network. The network provides more high-value datasets and functionality, and has proven to be a key efficiency mechanism. In early 2014, we led the networking of one key delivery agency, which provided 2,300 new datasets to users of data.gov.au.

The release of the National Map and its integration with other Open Data Network platforms is a demonstration of our commitment to providing robust open datasets to the public. The platform is a key mechanism for the Government's future policy visualisation plans but also an excellent mechanism for us to test and improve the robustness of IT service infrastructure. The capability has had thousands of users, offers over 450 datasets from all levels of Government and has already proven to be a tool for private sector innovation. In collaboration with our partners in Geoscience Australia and National ICT Australia we will be releasing more functionality and datasets in coming months.

A key component of driving economic activity from open data is to ensure the datasets released are as valuable as possible and meet the technical demands of the day. A senior working group led by our Department has been working on this issue and identified over 22 high-value Government datasets that will be targeted for release to significantly increase efficiency and stimulate economic development.

We will also engage with the International Open Data 500 research program this year to bring that private/public research programme to Australia. As in the United States, we aim to use this initiative to engage a range of domestic private partners to ensure open Government data is as valuable to the community as possible.

Consumer and business engagement in the digital economy

Digital Hubs Programme

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting the development of the digital economy by ensuring ongoing delivery of Digital Hub services into 40 communities where work on the rollout of the NBN has commenced.

Number of individuals that have attended a Digital Hub and participated in programme training or experienced technology and applications that demonstrate the benefits of the NBN to households.²

Digital Hubs are community based and offer people free assistance to:

- > Increase their digital literacy skills and build confidence using online services.
- > Experience broadband-enabled services and technology.
- > Learn how to connect to broadband, including internet connectivity options.
- > Access online Government, health and education services.
- > Use social media and videoconferencing technology.
- > Participate safely online.

People who visited a Digital Hub received free advice and support in either a group setting or one-on-one mentoring from qualified trainers. People also got the opportunity to see how doing more on the internet using high-speed broadband could benefit them and their families.

Digital Hubs take many forms and can be found in public libraries, community centres and educational institutions. Everyone is welcome at a Digital Hub.

Visit our [digital annual report](#) to view videos about our Modbury Digital Hub and see how a robot takes a group of school students on a virtual tour of the National Museum of Australia.

Up until 30 June 2014—and since the first Digital Hub opened its doors in Townsville in February 2012—the programme has delivered 14,235 group training sessions and 37,144 individual mentoring sessions to 97,433 participants. To 30 June 2014, attendance figures were 18 per cent above the target participation.

In 2013–14, we said thank you to Digital Hubs in Armidale and Kiama NSW, Brunswick Vic. and Willunga SA, who all successfully completed their two years of service delivery to their communities. The remaining 36 Digital Hubs will reach the end of their funding agreement obligations progressively throughout 2014–15.

Our website lists the location and contact details of [Digital Hub](#) locations.

In 2013–14, the programme incurred administered expenses of \$3.3 million.

² Following the change of Government at the 2013 federal election, policy broadened from focusing on the NBN to showing the benefits of high-speed broadband across multiple technology platforms.

Digital Enterprise Programme

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting the development of the digital economy by ensuring the ongoing delivery of Digital Enterprise services in up to 49 communities where work on the rollout of the NBN has commenced and the delivery of a further 21 Digital Enterprise services, including a virtual service in remote Australia.

Number of small-to-medium enterprises (SMEs) and not-for-profit (NFP) organisations that have attended Digital Enterprise Programme training.

The Digital Enterprise Programme is helping SMEs and NFPs improve their productivity by utilising new technologies, learning how to reach wider markets through an online presence, use videoconferencing more regularly and find ways to increase efficiencies.

SMEs and NFPs have continued to sign up to the free training provided by the programme in 69 communities across Australia, and are benefitting from group training sessions and face-to-face mentoring within their organisations to learn how to improve the way they do business and deliver services online.

An exciting addition to the Digital Enterprise Programme was the start of the [Virtual Advisor](#) Programme in November 2013, which provided the same training via videoconferencing for organisations that identify as Indigenous and are located in regional, rural and remote areas of Australia.

Visit our [digital annual report](#) to see our videos, which demonstrate how businesses in Tasmania and Armidale are putting into practice what they learn and how this has helped them improve their productivity.

The Digital Enterprise programme is helping NFPs build relationships with customers, clients and donors through social media and more efficient delivery of products and services using the internet.

As at 30 June 2014, the programme had delivered 2,698 group training sessions and 5,282 face-to-face mentoring sessions at their places of business to 28,347 SMEs and NFPs.

SMEs and NFPs that have taken part in the programme are telling us the useful knowledge they gained is translating into organisational improvements, behavioural changes and an increased understanding of the benefits of doing more online. Participants have also reported on the high quality of the training received and would recommend the programme to any organisation wanting to improve their online presence and activities.

'The mentor session was extremely valuable for a 'one-on-one' discussion and look at our business. It was an excellent exercise to look at exactly how we are currently conducting our business using online tools and more importantly the opportunities available for improvement. The mentors were extremely knowledgeable and helpful in their fields of expertise, which was of great value. Thank you!'

Perth Product Photography, Matt Reed (Melville Digital Enterprise Programme—Fremantle Chamber of Commerce)

'Very informative! Would love a further course to break down some of these concepts. Would 100 per cent recommend; Jessica was fabulous.'

Victoria Michael, Little Blessings (North Sydney Digital Enterprise Programme—NSW Business Chamber)

'I feel we are very fortunate to be able to access such a programme. Thank you.'

Marilyn Macfarlane, (Gold Coast Digital Enterprise Programme—Gold Coast City Council)

Programme services in Armidale NSW and Townsville Qld. reached the end of their two-year operating period in March 2014. Both service providers made a significant contribution to the increased digital engagement by SMEs and NFPs in their communities. The remaining 67 Digital Enterprise services will reach the end of their funding agreement obligations progressively throughout 2014–15 and 2015–16.

Our [website](#) lists the locations and contact details for Digital Enterprise services.

In 2013–14, the programme incurred administered expenses of \$5.2 million.

Digital Business

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting the development of the digital economy by maintaining the [digitalbusiness.gov.au](#) website, which offers practical guidance for small business and community organisations to establish or enhance their online presence and leverage the benefits of participating in the digital economy.

We manage the [digitalbusiness.gov.au](#) website. It provides up-to-date practical guidance for Australian SMEs, NFPs and community groups about how to create or enhance their online presence. The site is specifically designed for people who are ready to get the most benefit out of the internet for their organisations.

The content uses direct and clear language and covers a broad range of topics including:

- > the benefits of getting online
- > creating an online presence
- > improving productivity with online tools
- > engaging in e-commerce, e-marketing and social media
- > online security and legal issues.

The website also provides practical information including 'how-to' guides, blogs on latest trends, and video case studies showcasing 'real world' success stories. These case studies provide practical examples of local businesses that are engaging online and achieving success.

The two case studies below show the key points in a business cycle where SMEs and NFPs are likely to adopt digital change and aim to inspire other entrepreneurs to take that next step and embed digital into their business.

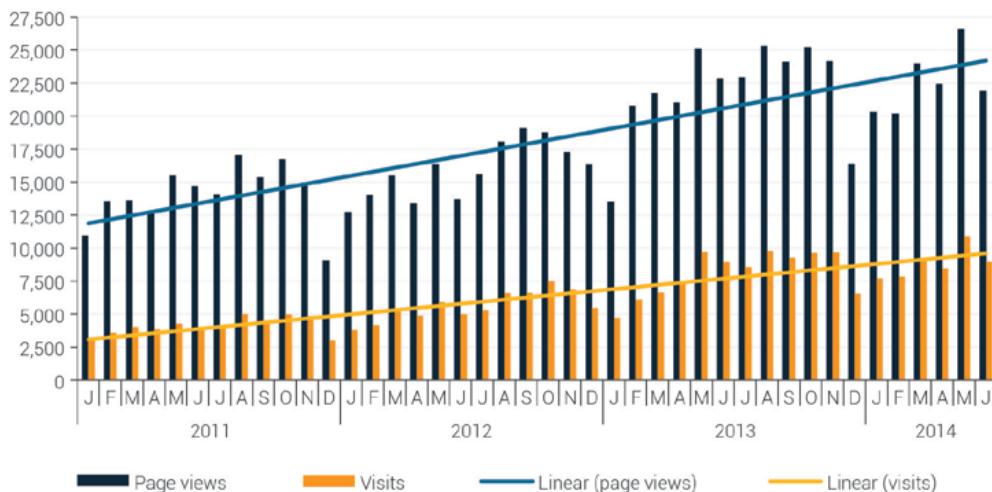
The first case study is Melbourne by Foot, which provides cultural walking tours of Melbourne's CBD. Owner, operator and Melbourne local resident, Dave Carswell, formed the company in 2009 to share the cultural vibrancy of the city centre and has found great success by harnessing the power of social media.

The second case study is Costumes.com.au, a pure play Australian retailer. Its top priority is to provide great customer service and make it easy for customers to find what they need. Co-founder Nathan Huppertz is keen to share his tips on how to build a successful online business—from designing a great website tailored to customers' needs, to selling across different sales platforms.

Visit our [digital annual report](#) to see the inspiring videos about these two businesses.

The Digital Business website has been recording strong year-on-year user growth. The focus in 2013–14 included promotional activities to increase awareness of the site. As a result audience engagement with digitalbusiness.gov.au has continued to grow. The average number of visits increased by 33 per cent on the previous financial year. These visits resulted in 273,559 page views over the year, an increase of 19 per cent on the previous year.

Figure 2.1 Digital Business page views and visits 2011 to 2014



Digital Business Kits Programme

In 2013–14, nine industry peak bodies were funded to develop online Digital Business Kits. These were designed to provide tailored and industry specific information resources to help SMEs and NFPs use digital platforms to transition their businesses into the digital age and realise the benefits of high-speed broadband. The industry sectors and corresponding industry peak bodies funded to develop and implement the kits were:

- > Manufacturing—Australian Industry Group
- > Retail—National Retailers' Association
- > Healthcare services—Royal Australian College of General Practitioners
- > Hospitality—Restaurant and Catering Australia
- > Construction—Master Electricians Association
- > Professional services—Australian Services Roundtable
- > Early childhood education and care—Early Childhood Education and Care
- > Community and social services—Australian Council of Social Services
- > Arts, recreation and education services—Australian Communications Consumer Action Network.

Each kit will be hosted on industry websites and contain a series of modules on various subjects. The modules will take different forms including video case studies, step-by-step tutorials, interactive webinars, blogs and printed resource materials.

Work continued throughout 2013–14 to get the kits ready to go live, which took place in July 2014. Each industry sector created a module on telework that was made available as part of Telework Week in November 2013.

More information about Digital Business Kits can be found on our [website](#).

Digital Local Government Programme

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting the development of the digital economy by working with at least 47 local Governments to enable them to maximise the opportunities provided by high-speed broadband

Number of people accessing the local Government funded high-speed broadband enabled online services, and the efficiency gains obtained

The [Digital Local Government \(DLG\) Programme](#) encourages local councils to make use of high-speed broadband to deliver improved online services to homes and businesses. The programme also facilitates the development of online services that are replicable and scalable for other councils to adapt for their own use, and to bring about significant improvements in the quality, availability and speed of delivering local Government services.

During the year, 15 local governments received funding under round four of the DLG programme (one council subsequently withdrew from the programme). These projects, along with the 33 pre-existing ones funded under rounds one to three of the programme, aim to improve online services and maximise opportunities provided by high-speed broadband.

The 33 councils funded under rounds one to three finished their projects by 30 June 2014 and have implemented a range of services including:

- > online lodgement and tracking of development applications
- > provision of health services
- > hosting online workshops
- > disaster management coordination
- > 3D modelling/mapping
- > CCTV implementation
- > high-definition videoconferencing to deliver customer support.

Services provided so far under the programme have resulted in:

- > Councils responding to 10,933 customer service requests using their new online services.
- > Over 2,600 people accessing videoconferencing services for consultation.
- > 36,177 people taking part in webinar workshops delivered online by councils.

Round four projects are scheduled to finish by June 2015.

In 2013–14, the programme incurred administered expenses of \$3.7 million.

Improving services in regional, rural and remote Australia

Satellite Phone Subsidy Scheme

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Improving services to regional, rural and remote Australia through the Satellite Phone Subsidy Scheme, which provides support for Australians living or conducting business in areas outside the reach of terrestrial mobile phone networks

Extent to which people, particularly those living in non-coverage areas, are aware of the Scheme and take it up

4,000 satellite phone scheme subsidies provided

The Satellite Phone Subsidy Scheme provided a subsidy against the purchase price of a satellite handset for people living, working and travelling in areas without terrestrial mobile phone coverage. Over 29,000 subsidies have been granted under the scheme since 2002.

The scheme approved 4,138 applications, with 4,244 paid during the year³. This compares with 5,022 approvals and 4,363 subsidies paid in 2012–13.

The participating network of over 400 registered dealers continued to promote the subsidy through various activities including camping shows and exhibitions.

In 2013–14, the scheme incurred administered expenses of \$2.4 million.

In recent years, the widespread availability of a cheaper satellite phone handset, coupled with the introduction of more flexible call plans, such as pre-paid options, shows a more competitive and evolving satellite phone market. As a result, the Government determined the need for the Satellite Phone Subsidy Scheme had declined significantly and it ended as scheduled on 30 June 2014.

Mobile Black Spot Programme

The \$100 million [Mobile Black Spot Programme](#) is the Australian Government's initiative to extend mobile phone coverage and competition in regional, remote and outer metropolitan areas. The programme will invest in telecommunications network infrastructure to improve coverage along major transport routes, in small communities, in locations prone to natural disasters, as well as address unique mobile coverage problems.

The Government's investment is expected to generate significant co-contributions from industry, local and state Governments and communities. The programme is expected to provide around 250–300 new or upgraded mobile base stations across Australia, depending on the level of co-contributions that can be attracted.

³ The reason for the higher number of paid subsidies against approved applications is due to a carryover of unpaid approved applications from 2012–13.

A discussion paper we released in December 2013 generated approximately 170 stakeholder submissions commenting on the design and delivery of the programme. Comments were considered by the Government in developing the programme.

From December 2013 to June 2014, we received over 4,000 reports of areas with poor or no mobile coverage across Australia. These locations were added to a database that will be shared with mobile network operators and mobile network infrastructure providers to help them prepare their funding proposals.

A competitive selection process is expected to take place in the second half of 2014 to engage one or more mobile network operators and/or infrastructure providers to deliver base stations funded under the programme. The initial funded base stations are expected to be operational in the second half of 2015.

Supporting innovative delivery of online services

The Government's Policy for e-Government and the Digital Economy outlines an ambitious agenda for reforming how Government services are delivered to Australians through digital technologies, whole-of-Government Information and Communications Technology (ICT) leadership, ICT investment, and cloud computing, as well as open data policies.

We have carried out extensive research and consulted with agencies to create the current Commonwealth service delivery landscape and identify the existing state of digital and non-digital services as well as potential barriers and opportunities for future digital services. This work is being developed into policy advice for Government. We are also working with the Department of Finance to develop an Australian Digital Service Standard and the related Digital Design Guide to allow better practice in digital service delivery across the Commonwealth.

If approved by Government, these initiatives will involve a considerable change to the operational activities of Government. Work is moving ahead to meet the 2017 target identified in the policy, with significant milestones expected to be achieved in 2014–15.

Digital Mailboxes

Individuals and entities are the targets of a growing amount of spam and scam emails claiming to be from government and legitimate businesses. Increasingly, citizens and businesses are turning to digital mailboxes to make sure their mail is safe and secure.

The Government's Policy for e-Government and the Digital Economy stated that Government would provide individuals and businesses with a digital inbox as a secure and permanent contact point to communicate with Government. To advance this policy, the Department of Human Services introduced an inbox to the myGov digital service from March 2014. As of August 2014, there are over 4.2 million active [myGov](#) user accounts that have access to the inbox. Australia Post and the Department of Human Services are trialing digital mail delivery to individuals building on the myGov inbox. As part of the trial with Australia Post, people can now opt to have their Government digital mail automatically forwarded to their Australia Post MyPost Digital Mailbox. The trial is an important step towards providing Australians with a unique, flexible and secure digital inbox.

National ICT Australia Limited

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting the development of the digital economy by supporting the ICT Centre of Excellence Programme

National ICT Australia Limited's contribution to:

- > commercialisation of ICT and online innovation
- > development of ICT and online research and commercialisation skills

\$7.2 million in commercial revenue generated by the ICT Centre of Excellence

240 PhD candidates sponsored by the ICT Centre of Excellence

75 Australian jobs in ICT Centre of Excellence spin-out companies

National ICT Australia Limited (NICTA) has been operating for over 10 years and has become the largest and most successful dedicated ICT research organisation in Australia. In 2013–14, it received total funding of \$45 million under the ICT Centre of Excellence Programme—\$22.5 million from our Department and \$22.5 million from the Australian Research Council.

NICTA produced around a quarter of Australia's ICT PhDs with its 22 partner universities across Australia. It created new jobs, spinning off three new companies in 2013 and working with major companies to improve their productivity and competitiveness.

At 31 December 2013, NICTA⁴ had 453 research and technical staff, 121 professional and administration staff and 286 PhD students working across 27 research projects. It had created 85 Australian jobs in NICTA spin-off companies and generated commercial revenue of \$11.9 million.

NICTA's innovations included world-first technologies for start-ups. For example, Open Kernel Labs delivering operating systems through embedded virtualisation software for mobile phones and internet devices. At 31 December 2013, its products were deployed in more than 1.5 billion mobile devices worldwide. Meanwhile Saluda Medical has developed a sophisticated new technology for the management of chronic pain. The device measures the response of nerves to electric stimulation in patients who are undergoing spinal implant.

The Australian Government announced in the 2014–15 Budget that it will maintain \$84.9 million funding for NICTA for the next two years, as the organisation moves to a self-sustaining funding model. The Department of Communications and the Australian Research Council will each contribute \$21.4 million in 2014–15 and \$21 million in 2015–16. The Government is working with NICTA to help identify strategies, including operational model and governance arrangements, to secure its ongoing operational viability in the longer term.

⁴ NICTA reports on a calendar-year basis, so performance against KPIs reflect results for the 2013 calendar year.

Consumer representation and protection

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Extent to which regulatory environment facilitates competition and market structures, including by encouraging new entrants and business models that promote consumer empowerment and choice

Extent to which regulatory and industry self-regulatory arrangements ensure the interests of telecommunications consumers are protected

National Relay Service

Since 1995, the National Relay Service (NRS) has provided people who are deaf, hearing-impaired or speech-impaired with a way to make telephone calls using dedicated relay officers. We played a key role in working with the Telecommunications Universal Service Management Agency (TUSMA) to implement new NRS services from 1 July 2013, including Captioned Relay, SMS Relay, Video Relay, as well as enhancements to Internet Relay. These new services provide NRS users with even more choices for their preferred communication method.

Telecommunications Industry Ombudsman Review

The Telecommunications Industry Ombudsman (TIO) provides free and independent dispute resolution for small business and consumers of telephone, mobile or internet services, after they have first complained to their service provider.

During 2013–14, we worked with the TIO and the Australian Communications and Media Authority (ACMA) to implement recommendations from its 2011–12 review, including changes to governance arrangements and implementation of new complaints-handling processes.

Telecommunications Legislation Amendment (Consumer Protection) Act 2014

The *Telecommunications Legislation Amendment (Consumer Protection) Act 2014* received Royal Assent on 28 February 2014. We developed the measures in the Act in close collaboration with industry and consumer groups. The Act improves the co-regulatory framework by:

- > Streamlining the process for amending registered industry codes.
- > Allowing code developers to be reimbursed for costs of varying consumer-related industry codes.
- > Improving the transparency of the code development process.
- > Providing greater regulatory clarity around the TIO's role and expected standards of operation.
- > Improving the operational efficiency of the *Do Not Call Register Act 2006*.

International mobile roaming

While there has been some decline in international mobile roaming prices that coincided with the Government's announcement to take regulatory action, prices remain high and are a significant barrier to consumers and businesses communicating while overseas.

In a 7 February 2014 joint statement, the Australian and New Zealand Prime Ministers noted that trans-Tasman mobile roaming charges remain high compared to equivalent domestic services, and agreed to provide respective regulators additional tools to use if needed.

In February 2014, the Government publicly consulted on an exposure draft of the Telecommunications Legislation Amendment (International Mobile Roaming) Bill 2014 and a Regulation Impact Statement.

If enacted, the Bill will allow the Australian Competition and Consumer Commission to take targeted and proportionate coordinated regulatory action with the New Zealand competition regulator on the prices of trans-Tasman mobile roaming services, where necessary.

While the initial objective of the Bill is to address trans-Tasman mobile roaming, there is scope for future cooperation with other countries.

Support for effective consumer advocacy and research

ACCAN grant administration

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting and protecting the interests of consumers by providing policy advice through funding for the Australian Communications Consumer Action Network (ACCAN) through the Consumer Representation Grants Programme

ACCAN represents telecommunications consumers and undertakes research to achieve better outcomes:

- > telecommunications consumer interest groups support and actively participate in the ACCAN activities
- > policy positions held by the ACCAN are influential and represent the informed interests of telecommunication consumers in submissions based on robust evidence.

The Department facilitates consumer representation and advocacy by managing a grant of approximately \$2 million per annum to the peak telecommunications consumer representation body, [ACCAN](#). The ACCAN receives a grant under s593 of the *Telecommunications Act 1997* for telecommunications consumer representation and research.

To make sure the ACCAN complies with its grant obligations, we:

- > Meet with the CEO regularly to discuss ACCAN's progress against its deliverables and key performance indicators outlined in its Deed of Agreement.
- > Conduct an assessment of its activities outlined in ACCAN's quarterly progress reports.
- > Attend ACCAN board meetings.
- > Review governance and operational documents as needed.

Public consultation

We publicly consulted on a number of proposed telecommunications consumer protection deregulatory measures, including retail price controls, the customer service guarantee and priority assistance. Over 60 comments on the proposed measures were posted from telecommunications providers, industry and consumer groups and members of the public via an online discussion board on our website. We also hosted a deregulation stakeholder forum on 12 May 2014 in Sydney, led by our Parliamentary Secretary, Mr Fletcher. Thirty key stakeholders from industry, consumer groups and Government agencies attended.

Do Not Call Register

We carried out public consultation in December 2013, seeking views on the optimal length of registration on the Do Not Call Register. We also considered whether a 'cleansing mechanism' to improve the accuracy of the register should be introduced. In response to the [Discussion Paper](#), we received 1,320 submissions. At the end of 2013–14, the Government was in the process of considering the views of individual stakeholders against each of the four options presented in the discussion paper.

Online safety

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting and protecting the interests of consumers by providing policy advice through developing and maintaining cybersafety initiatives to inform and educate the Australian community, particularly young Australians, about internet safety

Extent to which the Cybersafety Help Button and the Easy Guide to Socialising Online are available and accessed

Extent to which the Youth Advisory Group on Cybersafety, the Teachers and Parents Advisory Group and the Consultative Working Group on Cybersafety's⁵ advice informs the development of new or improved cybersafety initiatives

Number of schools, students, teachers and parents providing advice to Government during the online forums and at the Cybersafety Summits

During 2013–14, we started implementing the Government's [Policy to Enhance Online Safety for Children](#) and promoted existing online safety initiatives through outreach and consultation with youth, teachers and parents, industry and other Government agencies.

The Government announced in the 2014–15 Budget it would provide:

- > \$10.0 million over four years for the Policy to Enhance Online Safety for Children, including \$7.5 million to help schools access accredited online safety programmes.
- > \$2.4 million to establish and operate the Office of the Children's e-Safety Commissioner to take a leadership role in online safety.
- > \$0.1 million to support Australian-based research and information campaigns on online safety.

⁵ Following the change of Government at the 2013 federal election, the Consultative Working Group on Cybersafety was dissolved and the Online Safety Consultative Working Group was created.

Public consultation

On 22 January 2014, the Government released a discussion paper called 'Enhancing Online Safety for Children' that sought views on implementing the key measures to improve the online safety of Australian children, including:

- > Establishing a Children's e-Safety Commissioner.
- > Developing an effective complaints system, backed by legislation, to have harmful material removed quickly from large social media sites.
- > Examining existing Commonwealth legislation to determine whether to create a new, simplified cyberbullying offence.

More than 80 submissions were received from a range of stakeholders, including community organisations, industry, education bodies, government bodies, legal representatives, academics and individuals. Non-confidential submissions are available on our website. At the end of 2013–14, the Government was in the process of considering the submissions received.

Online Safety Consultative Working Group

During 2013–14, the Online Safety Consultative Working Group was created to give the Australian Government targeted advice on measures outlined in the Policy to Enhance Online Safety for Children and information to help protect Australian children from online risks such as cyberbullying, exposure to illegal content and privacy breaches.

The group meets twice a year and its members represent community groups, internet service providers, industry associations, business and government.

Cybersafety Help Button

The Cybersafety Help Button provides a one-stop-shop for online safety information and help in Australia. It allows users to click through to the Cybersafety Help and Advice website and access counselling, reporting and educational resources to help with online risks such as cyberbullying, unwanted contact, scams and fraud, and offensive or inappropriate material.

The Help Button is available for a range of mobile and tablet devices, including Android, Apple, Blackberry and Windows. It is also available as an add-on for internet browsers including Chrome, Safari, Mozilla Firefox and Internet Explorer.

In December 2013, the Help Button was added to the TelstraOne mobile application for Android devices and can now be accessed on over one million Telstra mobile devices, in addition to over 950,000 computers and mobile devices with existing access to the Help Button.

The Cybersafety Help and Advice [website](#) has received over 493,000 visits since October 2010. During 2013–14, the Cybersafety Help and Advice website received over 95,000 hits including 4,128 referrals to online counselling services, 27,261 referrals to report cyberbullying and inappropriate content, and 6,379 referrals to online safety educational resources.

Easy Guide to Socialising Online

The [Easy Guide to Socialising Online](#) provides online safety information for over 30 social networking sites, search engines and online games.

Since the launch of the Easy Guide in 2012, the website has received over 464,000 hits, and more than 10,000 printed copies have been distributed across Australia.

During 2013–14, the Easy Guide website received over 122,000 hits and was updated to include seven additional sites that were identified as popular with young Australians.

The Easy Guide was developed in consultation with the Youth Advisory Group on Cybersafety (YAG) with many social media sites providing direct advice and content to be included.

Youth Advisory Group on Cybersafety

YAG is made up of young Australians aged eight to 17 representing schools from all states and territories.

YAG members provide a youth perspective on online safety by providing advice to Government on issues they are facing, suggesting potential strategies to address these issues, and providing input on new and existing online safety initiatives.

YAG reported to the Government in January 2014. The group provided policy input on online safety issues such as:

- > cyberbullying
- > access to harmful and inappropriate content
- > social networking
- > sexting
- > online grooming
- > piracy
- > approaches to online safety education and public awareness campaigns.

YAG also provided feedback on current online safety initiatives including the Cybersafety Help Button, the Easy Guide to Socialising Online, Cybersmart, Australian Federal Police Cybercrime Prevention presentations and the Safe and Well Online @ppreciate app.

Selected YAG members also took part in the 2013 Cyber Safety Summit providing additional advice on a range of priority online safety topics.

Teachers and Parents Advisory Group

During 2013–14, we engaged with over 200 teachers and parents through the Teachers and Parents Advisory Group (TAP).

TAP members provided input and advice through a secure online forum on a range of online safety issues facing children including:

- > Prevention, management and reporting of cyberbullying involving youth.
- > Online grooming.
- > Young people's access to inappropriate online content.

- > Use of social networks by underage children.
- > Their experiences and impressions of young people's online habits.

Selected TAP members also took part in the 2013 Cybersafety Summit providing additional advice on a range of priority online safety topics.

Cyber Safety Summit

On 2 August 2013, over 260 people took part in the 2013 Cyber Safety Summit. This included 95 YAG members who represented 63 schools across Australia, and 115 of their teachers and parents. Workshops and discussions were facilitated by television personalities and representatives from industry, community organisations and Government.

The Summit covered a range of online safety topics including:

- > cyberbullying and online respect
- > ways to report offensive online behaviour and content
- > building resilience
- > online safety resources.

Since the first Cyber Safety Summit in June 2010, over 850 students, parents, teachers, industry and community representatives have met to provide input on a range of Government programmes and initiatives aimed at keeping children safe online.

Online security

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting and protecting the interests of consumers by providing policy advice through cybersecurity initiatives to inform and educate Australian consumers and small businesses about how best to manage the risk of financial fraud and loss of personal information over the internet

Extent to which Australian households and small businesses are aware of, and adopt, appropriate actions to address cybersecurity and cybersafety risks

60 per cent of Australian schools accessing the Cybersecurity Education Package

Australians use the internet in all aspects of their lives, so it is important they are aware of the simple steps they should take to protect their personal and financial information online.

We maintain the [Stay Smart Online website](#) and social media channels. The website provides information and tips along with quizzes, videos and fact sheets on online safety and security issues. In 2013–14, the website received 567,662 hits. The Stay Smart Online Facebook page encourages conversations about online safety and security issues throughout the community.

The annual Stay Smart Online Week (formerly National Cyber Security Awareness Week) to help Australians better understand the importance of online safety and security was held from 2–6 June 2014. Nearly 1,700 industry, community, consumer and Government organisations partnered with the Department to promote better online practices among home and small business users to their staff, customers and clients.

During the 2014 Awareness Week, a video called 'Do You Stay Smart Online?' was made available on the Stay Smart Online website, through Facebook, Twitter and on the Stay Smart Online YouTube channel to promote safe and secure online behaviour. At 30 June 2014, the Stay Smart Online Alert Service had 14,300 subscribers and the Facebook page had 5,600 followers, with an audience reach through partner and follower sharing of up to 730,000.

The take-up of the self-learning education package for primary and secondary school children, Budd:e (available through the Stay Smart Online website), continues to grow. During this financial year Budd:e had 113,636 new registrations, bringing the total number of registrations since it began to 367,607.

In addition, the cumulative registration of 6,279 schools indicates that approximately 63 per cent of schools are using the Budd:e package with their students.

In 2013–14, the Stay Smart Online Programme incurred \$1.0 million in administered expenses.

Spectrum policy

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Providing policy advice on Australia's radiofrequency spectrum assets in the interests of Australian consumers and the economy, while providing certainty to wireless broadband, broadcasting and communications service providers

Our policy advice to Minister Turnbull and former ministers on radiofrequency spectrum matters focused on the following issues in 2013–14:

- > Maximising the benefit that use of spectrum will bring to the Australian community and economy.
- > A review of the spectrum management framework to examine what policy and regulatory changes are needed to meet current challenges, and ensure the framework will serve Australia well into the future.
- > Progressing the digital dividend restack and release of the digital dividend spectrum.
- > Working with Australia's public safety agencies to support their mobile broadband capability needs.
- > Reissuing expiring 15-year spectrum licences to provide continued access for mobile phone and wireless broadband services in Australia.

On 23 May 2014, the Government announced a review of the spectrum management framework, which will look at improving and modernising the overarching regulatory framework for spectrum that applies to all users. We are carrying out the review in conjunction with the ACMA, and will engage with stakeholders throughout the review process. We expect to report to Minister Turnbull in 2015 on review outcomes.

Following the digital dividend auction process held in April/May 2013, we worked on issues related to the future allocation of spectrum licenses for unsold lots from the auction and the restack of broadcasting services out of the digital dividend spectrum. This work will continue into 2014–15.

We continued to work with public safety agencies to support their mobile broadband communications needs, and are moving ahead with a cost-benefit analysis of the most cost effective and timely way to deliver a public safety mobile broadband capability.

Payments made in 2013–14 from mobile operators and other license holders for their 15-year spectrum licenses amounted to over \$190 million. The re-issued licenses provide continued consumer access to mobile services in the 1800 megahertz (MHz) and 2.3 gigahertz (GHz) spectrum bands.

Postal services

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Protecting the Australian Government's interest as a shareholder of Australia Post and providing policy advice on the postal sector

Australia Post reports independently of the Department. The Minister for Communications is a joint Shareholder Minister responsible for the regulation of Australia Post along with the Minister for Finance. In 2013–14, we provided advice to Minister Turnbull and former ministers on Australia Post's activities, operations and future directions

Postal reform

More and more Australians are choosing to communicate via digital options such as email, social networking and SMS rather than letters, and businesses and Governments are increasingly interacting with their customers this way as well. This means a fundamental shift in community expectations about the value of letters and the postal service's role in facilitating social and commercial communications.

As a result, Australia Post's domestic reserved letter volumes have declined by over 25 per cent since they peaked in 2007–08. This has placed Australia Post under significant financial pressure, and substantial losses in Australia Post's regulated mail business are threatening the overall financial viability of the corporation.

To help raise community awareness of Australia Post's situation, on 24 June 2014 Minister Turnbull delivered a speech on digital disruption at the 2014 Committee for Economic Development of Australia National Annual Conference, using Australia Post as a key case study. Minister Turnbull highlighted the financial impact of the decline in letter volumes on Australia Post and outlined the findings of a strategic analysis of Australia Post's letters business carried out by the Boston Consulting Group (BCG). He also released a policy background paper on the Australian Postal Market and a background report on BCG's strategic analysis.

We and the Department of Finance are working with Australia Post to make sure it is able to continue to provide a postal service that efficiently meets the changing expectations of the Australian community.

Licensed post offices

On 14 November 2013, the Senate referred the issue of Australia Post's performance in communities and its operations in relation to Licensed Post Offices to the Environment and Communications Legislation Committee for inquiry and report by 11 December 2013. We made a submission to the Senate Committee. The Committee released an interim report on 11 December 2013 that noted Australia Post's efforts to address issues raised by the Committee.

Basic postage rate

The basic postage rate increased from 60 to 70 cents at the end of March 2014. This followed consideration by the Australian Competition and Consumer Commission of Australia Post's proposal. The cost of postage for concession card holders remains at 60 cents for three years. As the payment rates Licensed Post Office operators receive are linked to the stamp price, this price increase helps maintain their viability.

Programme 1.3: Broadcasting and Digital Television

The objectives of the Broadcasting and Digital Television Programme are to:

- > Ensure the switchover to digital-only television by the end of 2013 and completion of the restack of services in the Digital Dividend by the end of 2014.
- > Support access to high-quality, innovative and diverse broadcasting services that deliver content consistent with Australia's diverse community expectations.

Switchover to digital television

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

The effectiveness of the switchover to digital television as measured through the Digital Tracker that monitors the following indicators for each switchover region on a quarterly basis:

- > awareness of switchover to digital television
- > understanding of what needs to be done to prepare for switchover
- > attitudes towards digital switchover
- > proportion of Australians who have switched over
- > satisfaction with digital television

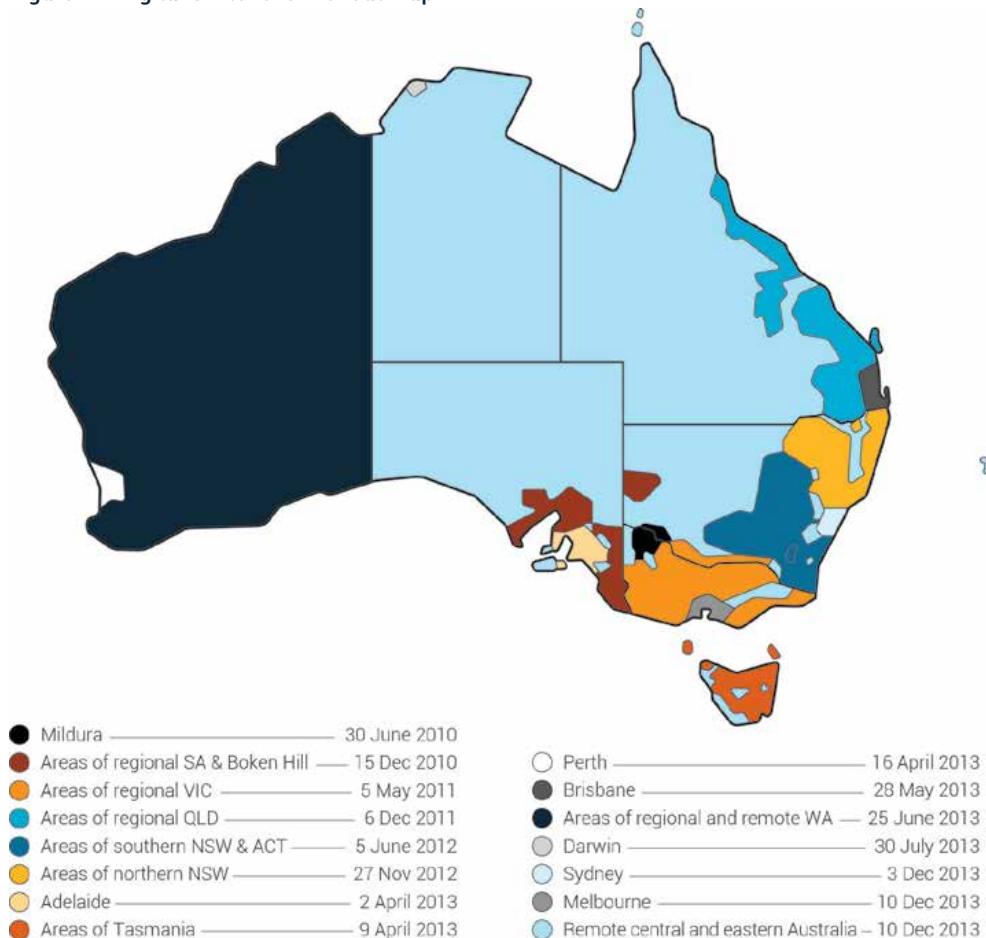
Coordinating and overseeing the switchover to digital-only television transmission by the end of 2013, with a focus on mainland capital cities and remote areas of Australia.

Australia achieved the final switchover from analog to digital-only free-to-air television transmissions on 10 December 2013. Across Australia more than 8.7 million households from Broome to Lord Howe Island, Darwin to Hobart, and everywhere in between, are now able to access digital-only free-to-air television. Digital television brings numerous benefits to the country, including better picture and sound quality, an unprecedented choice of 17 free-to-air channels and the freeing up of broadcasting spectrum to allow for a range of emerging services, such as mobile broadband and wireless technology.

In 2013–14, we supported people to switch to digital-only television by:

- > Providing in-home assistance to make the switch to eligible customers through the Household Assistance Scheme and the Satellite Subsidy Scheme.
- > Working with the broadcasting industry, antenna installers and others to coordinate the final rollout of digital services and address reception issues.
- > Managing a significant programme of communications activities through both mainstream media and community outreach.

Figure 2.2 Digital Switchover Rollout Map



The [Digital Tracker survey](#) measured the effectiveness of the Digital Television Switchover Programme. Phone surveys were carried out quarterly in regions that had not yet switched to digital-only television and were carried out on the night(s) following switchover in a region. These are referred to as post-switchover surveys. The post-switchover surveys carried out in 2013–14 reported conversion rates of:

- > Darwin: 97 per cent
- > Sydney: 98 per cent
- > Melbourne: 99 per cent
- > Remote central and eastern Australia: 92 per cent.

The last quarterly Digital Tracker survey carried out in September–December 2013 showed the effectiveness of the switchover to digital television:

- > 96 per cent of Australian households were aware of switchover to digital television.
- > 99 per cent understood what needed to be done to prepare for switchover.
- > 94 per cent had a positive or neutral attitude towards digital switchover.
- > 98 per cent of Australians had switched over.
- > 81 per cent were satisfied with digital television.

case
study

Going digital: historic milestone achieved

In 2013–14, Australia achieved a historic milestone with the final switchover from analog to digital-only free-to-air television transmission. This represents the biggest change in Australian broadcasting since the introduction of colour television almost 40 years ago.

By the end of 2013, 8.7 million Australian households could access 17 free-to-air channels, compared to the previous four or five. For the first time, people living in regional and remote parts of Australia could access the same television services as those living in metropolitan areas.

The Digital Switchover Taskforce managed the transition to digital television, rolling out through 15 switchover areas until the last analog signals were switched off in Melbourne and remote central and eastern Australia on 10 December 2013.

The switchover involved a sustained and coordinated effort by Government, industry and the community over five years:

- > Broadcasters converted their television studios and hundreds of towers and built 60 new broadcasting sites.
- > The Viewer Access Satellite Television (VAST) service was created and delivers digital television to more than 170,000 households in locations unable to receive a terrestrial signal.
- > 368,000 eligible people were converted under the Household Assistance Scheme—almost four per cent of Australian households.
- > 35,000 households received subsidised access to VAST through the Satellite Subsidy Scheme, more than 14,700 of which were in 300 remote Indigenous communities.
- > 1,800 antenna installers and thousands of retail advisers were endorsed.
- > Community support and assistance was provided by more than 300 special champions as well as local Members of Parliament.

The success of the conversion to digital was acknowledged when Public Service Medals were awarded to Dr Simon Pelling of the Department and Mr Giles Tanner at the ACMA. Visit our [digital annual report](#) to view our videos on the digital switchover project.

Following the completion of switchover, the restack of television services to new channels started. Telstra and Optus can offer new mobile broadband services from 1 January 2015 in the digital dividend spectrum auctioned in April/May 2013.



'The switchover involved a sustained and coordinated effort over five years'



Visit annualreport.communications.gov.au to view the online version of this case study

Raising public awareness and understanding of digital switchover

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Conduct information and communications activities to raise public awareness and understanding of the switchover to encourage action required to get ready in remaining switchover areas

Communication activity ran in Darwin, Sydney, Melbourne and remote central and eastern Australia in the final six months of the Digital Switchover Programme. Communication targeted those that had not yet converted to digital television and encouraged households to switch well in advance of the switchover date in each area. The campaign also explained what options were available to switch, what assistance programmes were available and where to go for more information.

The campaign covered television, press and radio advertising, as well as Indigenous, cultural and linguistically diverse media. A strong grass roots public relations strategy supported the advertising campaign along with a comprehensive media strategy. To help manage the volume of media interest in the final 12 months and most intensive period of the switchover effort, an interactive web-based media centre was created.

The [Digital Ready website](#) continued to provide detailed easy-to-access information for consumers and the 1800 20 10 13 information line responded to enquiries and requests for information.

Household Assistance Scheme

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

92,046 households assisted through the Household Assistance Scheme

Through the Household Assistance Scheme, provide practical end-to-end technical and installation services for maximum benefit to aged and disability support pensioners, carers payees and equivalent war service pensioners and income support supplement payees

The Household Assistance Scheme (HAS) provided technical and practical assistance to eligible elderly people, carers, people with disabilities and veterans to convert to digital television. Eligible people were able to access a package of assistance free of charge, depending on individual needs, including:

- > Installation and demonstration of a high-definition set-top box by a contracted qualified technician, together with 12 months service and technical support.
- > Upgrades to cabling and external antenna systems (where appropriate).
- > Equipment to receive free-to-air television via satellite (where necessary).

The scheme was carried out in partnership with the Department of Human Services and major service contractor firms. Firms contracted during 2013–14 were:

- > Hills Industries Ltd (in association with Techlife) for Tasmania.
- > Skybridge (Australia) Pty Ltd for regional and remote Western Australia, Darwin, remote central and eastern Australia (RCEA) and Melbourne.
- > BSA Ltd for Adelaide, Brisbane, Perth and Sydney.

People who were potentially eligible for the scheme received letters from the Department of Human Services approximately nine months before switchover requesting them to opt-in at nine months, and four to five months before switchover, and continued until one month afterwards.

During 2013–14, approximately 95,000 customers were helped under the scheme in regional New South Wales, regional and remote Western Australia, Tasmania, Darwin, RCEA, Torres Strait Islands, Adelaide, Brisbane, Perth, Sydney and Melbourne.

Satellite Subsidy Scheme

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

1,059 households assisted through the Satellite Subsidy Scheme

Through the Satellite Subsidy Scheme, provide assistance for installation of satellite reception equipment for households served by 'self-help' analog terrestrial retransmission sites that are not upgraded to digital

The Satellite Subsidy Scheme (SSS) provided assistance to households to switch to digital-only television where a local self-help community-run television tower that transmitted analog broadcasts was being switched off and not being upgraded to digital. More than 600 towns (520 towers) were affected across Australia, mainly in regional and remote areas.

The scheme subsidised the cost of equipment needed to receive the Viewer Access Satellite Television (VAST) service, with installation carried out by a Government-contracted installer. Eligible households were able to receive a satellite dish, cabling and a high-definition VAST set-top box for a one-off co-payment of between \$200–\$230, depending on location.

During 2013–14, the scheme was delivered to more than 9,500 households in regional and remote Western Australia, Tasmania, remote South Australia, remote Queensland, remote Victoria, remote Northern Territory, and metropolitan Sydney, Brisbane and Melbourne. Demand for the scheme was substantially higher than forecast in the remote areas of Australia and particularly in remote Indigenous communities.

In recognition of the unique circumstances within eligible remote Indigenous communities, households in these areas were helped by Local Community Contacts (LCCs) to switch to digital television under the SSS. We contracted organisations such as local councils and non-Government organisations that then deployed the LCCs.

LCCs helped households apply for the SSS, arranged installations with contractors and community members, were present on the day of installation and acted as the communities first point of contact for switchover. LCCs helped make sure satellite installations were planned, undertaken and completed in a culturally appropriate manner. Households in remote communities were also supported by a range of culturally appropriate communication materials including posters, easy-step guides and an after-care guide, published in English and the local language where appropriate.

In 2013–14, nearly 330 eligible remote Indigenous communities in Queensland, South Australia, New South Wales, regional and remote Western Australia, the Northern Territory and Torres Strait Islands successfully switched to digital television, with 324 of these communities helped by LCCs.

Electronic news gathering

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Managing funding agreements with commercial broadcasters to assist in moving their electronic news gathering functions to alternate radiofrequency bands, to free up 2.5 gigahertz spectrum

In April 2013, the ACMA auctioned spectrum in the 2.5 GHz band for new telecommunications services. In Australia, the 2.5 GHz band refers to the spectrum between 2,500 MHz and 2,690 MHz, and is licensed almost exclusively for electronic news gathering (ENG) services by commercial and national broadcasters (that is, live broadcasting of events in the field by these broadcasters).

New spectrum has been made available to broadcasters for these services. In the 2012–13 Budget, a grants programme was announced to help those commercial broadcasters move their ENG operations out of the affected 2.5 GHz spectrum.

Funding is provided through agreements with Seven Network (Operations) Limited, Nine Network Australia Pty Ltd and Network Ten Pty Ltd. Total funding to the commercial broadcasters for ENG equipment will be \$39.5 million. A total of \$15.4 million was paid to the commercial broadcasters in 2013–14 following an initial payment of \$15.0 million to these broadcasters in 2012–13.

The 2013–14 appropriation of \$23.1 million was not fully expended due to delays with the delivery of equipment from the USA-based supplier, and the Finance Minister gave approval for \$7.7 million to be moved to 2014–15 when remaining payment milestones are expected to be met. This will end the programme.

Digital television

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Contribute to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services, through effective policy and effective administered funding.

Digital satellite service—Viewer Access Satellite Television

The Viewer Access Satellite Television (VAST) service became available for viewers in central and eastern Australia in December 2010 and in Western Australia in July 2011.

The Government has funded the VAST service to make sure anyone in Australia who cannot receive digital terrestrial television services has access to a reliable free-to-air service.

By the end of June 2014, more than 178,000 households across Australia were accessing the VAST service, with more than 212,000 set-top boxes installed. The service carries 17 commercial and national free-to-air television channels in all regions of Australia together with the Indigenous Community Television service. Local regional commercial news bulletins are available via dedicated news channels or, in Western Australia, as part of the main service.

Funding agreements have been created with commercial broadcasters to provide their services on VAST, and in 2013–14, a total of \$7.7 million was provided for this purpose. The Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS) also receive funding to provide their digital television services on VAST—that funding forms part of their respective appropriations.

Terrestrial Equalisation Plan (Additional Services Assistance Programme)

Historically, many viewers in regional South Australia, regional and remote Western Australia, and remote central and eastern Australia received fewer terrestrial free-to-air channels than their counterparts in capital cities and major regional locations. In November 2010, as part of the move to digital television, the Additional Services Assistance Programme was announced to help commercial television broadcasters upgrade existing transmission sites throughout these regions so viewers could receive the same number of free-to-air channels as metropolitan and larger regional markets.

In 2013–14, \$1.4 million was provided to commercial broadcasters under the programme. Overall, funding has supported the upgrade of 97 transmission towers across regional South Australia, regional and remote Western Australia and remote central and eastern Australia. The final sites to be upgraded, in remote central and eastern Australia, were completed in November 2013.

Regional Equalisation Plan

The Regional Equalisation Plan (REP) gives regional and remote commercial broadcasters a 50 per cent capital and operating cost subsidy over eight years to convert their analog terrestrial transmission facilities to digital. Funding is provided as capped annual rebates against licence fees for broadcasters, supplemented by a grants component, where necessary, to achieve the full rebate. Licence fee rebates are administered by the ACMA.

Assistance to most regional broadcasters has ended. However, in 2013–14, we provided subsidies in the form of grants to commercial broadcasters in regional and remote Western Australia (\$1.0 million) and to commercial broadcasters in remote central and eastern Australia (\$3.7 million). Upgrades to all 49 eligible sites in Western Australia were completed in February 2013 and the 28 sites in remote central and eastern Australia by November 2013.

Strong and independent national broadcasters

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Supporting the Minister on ABC and SBS policy and funding matters, the rollout of digital services and in relation to ABC and SBS board appointments

During 2013–14, we provided support to Minister Turnbull and former ministers on a range of policy and funding initiatives, such as the national broadcasters 2013–14 to 2015–16 triennial funding review.

In the 2013–14 Budget, the ABC received funding over three years for a range of measures, including an additional \$59.4 million for the continuation of enhanced news services to allow the ABC to place more journalists outside metropolitan cities and allow it to expand its regional participation programming. The ABC also received \$30 million over three years to maintain and expand its online services. The ABC also received a loan of \$90 million to consolidate its Melbourne operations in a single purpose built office at Southbank.

In the 2013–14 Budget, SBS received funding that included \$10 million over three years to address increased costs of acquiring local content and further support the television production industry.

Machinery of Government changes following the 2013 election saw the Indigenous Broadcasting Programme and its staff transfer to the Department of the Prime Minister and Cabinet.

On 31 January 2014, Minister Turnbull announced the Department would carry out an efficiency study of the operations of the ABC and SBS. The efficiency study examined behind-the-scenes operational costs for delivering programmes, products and services for the national broadcasters, and provided a range of options to increase efficiency without impacting on programming or content. Read the Terms of Reference for the study, located on our [website](#).

We received assistance to carry out the study from Peter Lewis, former Chief Financial Officer of Seven West Media Limited. Two representatives from the ABC and one representative from SBS formed part of the study's support team.

An early draft of the Efficiency Study's report was provided to the Managing Directors of the ABC and SBS on 24 April 2014. The draft report, incorporating feedback from the national broadcasters, was provided to the Chairs of the ABC and SBS on 9 May 2014.

As a down payment on efficiencies realised from the study, the Government introduced a one per cent saving on national broadcasters' base funding in the 2014–15 Budget. This measure does not constitute an ongoing efficiency dividend and the exact implementation of the savings will be determined by the boards and executives of the ABC and SBS.

We continued to support the statutory merit-based selection process for the appointment of non-executive Directors to the ABC and SBS boards. A number of activities were carried out in 2013–14 to create the legislative basis for the appointment process. This included making legislative instruments to define a senior political staff member, and set out the selection criteria approved by the Minister for Communications for each of the boards.

During 2013–14 three board vacancies arose on the ABC and SBS Boards, including the position of Chairperson of the SBS Board. We started a process to help the Nomination Panel to source suitable candidates to recommend to the Minister for Communications to fill the vacancies.

Broadcasting advice and programmes

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Advising the Minister on broadcasting policy matters such as media ownership, anti-siphoning, Indigenous broadcasting and digital radio

The Department's contribution, through its policy and funding activities, to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services

In 2013–14, we provided advice to Minister Turnbull and former ministers on a wide range of broadcasting issues, including:

- > Developments in the commercial, community and national radio and television sectors and subscription television sector.
- > Compliance with relevant codes.
- > Ownership and control changes.
- > The introduction of new digital broadcasting technologies.
- > The general operation of the regulatory frameworks applicable to broadcasting.

Consistent with the Government's deregulation agenda, we provided Minister Turnbull with advice on options to reduce the regulatory burden on the broadcasting industry. This resulted in measures being included in the Omnibus Repeal Day (Autumn 2014) Bill 2014 to streamline the media control notification requirements; permit the ACMA to exempt specified licensees from providing audited accounts; and broaden the ACMA's discretion to not investigate complaints.

We also published an occasional paper on media ownership and control that examined media diversity in a contemporary digital environment. The paper sought to inform the ongoing debate about the extent and form of regulations to support diversity in an environment where online services are rapidly changing the way in which news content is produced, distributed and consumed. It examined the current media diversity and control rules, their practical workings, and how they fit into a broader regulatory setting.

Local reviews

We carried out a review of the local content and local presence requirements for regional commercial radio licences, as required by section 61CT of the *Broadcasting Services Act 1992*. The review focused on the initial impact of amendments to the local content and local presence requirements that were made in 2012. The report of the review will be tabled in Parliament after it has been finalised and approved by Minister Turnbull.

Review of digital radio services

Minister Turnbull launched two statutory reviews into digital radio services, in accordance with section 215B of the *Broadcasting Services Act 1992* and section 313B of the *Radiocommunications Act 1992*, which considers the regulatory regime and technologies. As part of this process, we released a discussion paper on 24 December 2013. Minister Turnbull expects to report to the Parliament on the reviews before the end of 2014.

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Reforms to cut cost to business

The Government has set a target of reducing regulatory costs imposed on Australian businesses, community organisations and individuals by a net \$1 billion per annum. The deregulation agenda, together with related initiatives, such as the root and branch review of competition law and policy, is intended to increase productivity across the Australian economy.

The media and telecommunications sectors remain subject to a regulatory framework created in the 1990s, based on stable technologies and old business models. Yet these sectors are at the forefront of technological change, which has brought increased levels of competition and choice for consumers.

A high priority in 2013–14 was starting the review of the regulatory framework with the aim of reducing regulatory costs and delivering the portfolio's contribution to the \$1 billion target.

Following a call for submissions in late 2013, our Deregulation Unit (the Unit) coordinated and implemented a package of legislative and other measures for the Autumn Parliamentary Repeal Day (19 March 2014). The various measures removed more than 1,000 pages of unnecessary portfolio regulation and will save the sector an expected \$35 million per year.

The Unit also worked quickly to create arrangements to convene the Ministerial Advisory Council on Communications, drawn from stakeholders across the sector, which held its first meeting in March 2014. In May 2014, Minister Turnbull and our Parliamentary Secretary released the [Communications Portfolio Deregulation Roadmap 2014](#), which sets out our key deregulation priorities for 2014 and beyond.

The deregulation agenda provides an opportunity for deeper reform to current regulatory frameworks to make them fit-for-purpose for the communications sector of the future. To further inform and advance discussion on that future environment, we also released four Policy Background Papers—covering regulatory concepts, principles and approaches, media ownership and postal reform.



Visit annualreport.communications.gov.au to view the online version of this case study



'The Communications Portfolio Deregulation Roadmap sets out our key deregulation priorities for 2014 and beyond'

Community broadcasting

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Providing funding through the Community Broadcasting Programme to assist community broadcasters, including with the delivery of community radio and television services

In 2013–14, the Government allocated \$18.2 million under the Community Broadcasting Programme to maintain and develop community broadcasting. This sector includes 14 AM radio licensees, 344 FM radio licensees and 37 digital radio licensees as well as five community television licensees. Community broadcasting funding of \$12.7 million was provided to the Community Broadcasting Foundation (CBF) to allocate grants that support broadcasting by not-for-profit community-based organisations for the benefit of the general community, ethnic radio, Indigenous Australians and the print handicapped.

We also provided \$5 million to the CBF to maintain and operate community digital radio transmission and content delivery via the Digital Radio Project that provides 38 digital radio services in the five mainland capital cities. Radio for the Print Handicapped received \$0.5 million under a separate funding deed.

Restacking TV broadcasting services

PBS and PAES 2013–14 Key Performance Indicators and Deliverables

Overseeing the implementation of the relocation of television broadcasting services to new channels to release the Digital Dividend of 700 megahertz spectrum

Progress in achieving restack, including the number of services restacked

356 digital television services restacked

Restack Programme

The Restack Programme is in the process of moving 1,467 digital television services out of Ultra-High Frequency (UHF) channels 52 to 69 so the spectrum can be used for new services such as mobile and wireless broadband.

Restack is taking place at 426 transmission sites across Australia and is scheduled to finish by 31 December 2014. The programme is on track to meet this deadline. In 2013–14:

- > 362 services at 119 transmission sites were successfully restacked on schedule, including major capital metropolitan sites.
- > 70 per cent of the viewing population had successfully retuned after the retune day at the 119 completed sites.
- > The restack timetable will continue to be updated as the programme proceeds and is available on our [website](#).

Retune

- > The retune communications campaign informs Australian viewers about when and how to retune their digital TV equipment after the transmission tower in their area restacks. A combination of print, radio and television advertising and local outreach activities encourage viewers to visit the [Retune website](#) or call 1800 20 10 13.
- > During 2013–14, call centre agents answered 37,965 calls from viewers looking for more information or assistance to retune.
- > There were 1,047,644 visitors to the retune website and 110,777 viewers subscribed to receive an email or SMS reminder to be sent on their retune day.



Roy the Remote is educating all Australians to 'stay tuned for the retune'

Section Three Management and accountability

Our corporate and legal teams provide important strategic and operational support to the Department, the Minister and the Parliamentary Secretary. This section of the report showcases the work done by these teams in support of the Department achieving its priorities.

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Corporate governance and performance

Key components of our corporate governance and performance framework include:

- > management committees
- > the Corporate Plan and business planning framework
- > risk and business continuity management frameworks
- > financial and people management frameworks
- > internal and external audit
- > performance monitoring and reporting.

Management committees

Our management bodies and meetings are designed to share information; provide robust corporate governance; convey priorities; and embed strong organisational values. The below management committees were in place throughout 2013–14, with changes to the governance structure to be made in 2014–15 as part of the organisational change programme.

Executive Management Group

The Executive Management Group (EMG) was chaired by the Secretary and made up of Deputy Secretaries, First Assistant Secretaries, the Chief Financial Officer and Assistant Secretaries from the Communication and People Branches. The EMG provided advice to the Secretary on the operations of the Department, including:

- > strategic direction
- > organisational priorities
- > human resource management
- > governance
- > budget and performance monitoring.

The EMG promoted the core principles of good public sector governance—leadership, accountability, transparency, integrity, stewardship, efficiency and risk management. The EMG met fortnightly throughout 2013–14.

Audit Committee

The Audit Committee provided independent advice and assurance to the Secretary on our control frameworks, externally published financial information, and compliance with statutory obligations in accordance with section 46 of the *Financial Management and Accountability Act 1997 (FMA Act)*.

Membership for 2013–14 was made up of:

- > an external Chair
- > an external Deputy Chair
- > three internal members.

The Audit Committee met six times in 2013–14.

Implementation Risk Committee

The Implementation Risk Committee (IRC) provided strategic oversight of programmes, projects and activities across the Department, including implementation, management and evaluation.

The Committee was chaired by the Secretary. The IRC met on a bi-monthly basis and its main focus was to:

- > Provide assurance that risks relating to major activities were being mitigated.
- > Collectively share ideas and solutions about emerging and significant risks that may prevent the delivery of outcomes, allowing the Department to better manage its risks.

The IRC met seven times during 2013–14.

Information Management Committee

The Information Management Committee (IMC) provided advice and strategic direction in the management of the Department's information needs. The Committee oversaw the development and implementation of our ICT Strategy, as well as change management strategies and internal communications regarding ICT.

The IMC met five times during 2013–14.

Health and Safety Committee

The Health and Safety Committee (HSC) is a key forum that supports a safety culture in the Department. It is an integral component of the Department's Work Health and Safety (WHS) framework and is responsible for achieving positive outcomes for the Department in the management of WHS issues.

The HSC met four times during 2013–14.

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is the principal forum through which formal consultation and discussions on workplace relations matters take place between management and employees.

It supports the obligations of change management and consultation as outlined in the Department's Enterprise Agreement 2011–14. The WCC discusses workplace relations matters in a spirit of cooperation and trust.

Due to our significant change agenda, ten meetings were held during 2013–14.

Executive Leadership Forum

The Senior Executive Service (SES) meetings were replaced by the Executive Leadership Forum (ELF) in August 2013. These forums are held every four to six weeks and hosted by departmental Divisions as per a forward plan agreed by the EMG.

Membership comprised all SES Officers and other members of staff as invited. The aims of the forum are to:

- > Share information affecting the leadership of both the Department and the broader Australian Public Service (APS).
- > Improve interaction, teamwork and sharing across the executive leadership team.
- > Formulate practical actions.
- > Reflect on individual and group leadership performance.

The ELF met eight times during 2013–14.

Governance

Corporate Plan and business planning framework

Our [Corporate Plan 2014–17](#) was developed in the first half of 2013–14 and was launched by the Secretary on 28 February 2014. It was developed utilising high-quality research and advice and through extensive consultation and collaboration with staff. It is a significant document for the Department as it sets out the strategic priorities driving our direction, organisational structure and work over the next four years. It is the first fully digital Corporate Plan we have produced.

In 2013–14, we also produced four strategies to better achieve the priorities set out in our new Corporate Plan. The People Strategy 2014–17, ICT Strategy 2014–17, Communication Strategy 2014–17 and Digital Strategy 2014–17 were developed in the first half of 2013–14 through extensive consultation with staff and launched in April 2014. These four strategies outline the following goals for the Department into the future:

- > To be at the cutting-edge of digital communication to allow consumers, stakeholders and industry to easily access relevant information and engage with us, and set the foundations for us to provide a seamless digital experience to our stakeholders and be seen as the digital leader within the Australian Government.
- > To be at the leading-edge of the Government's use of information and communications technology, with a focus on providing access to services that allow our staff to work flexibly anywhere, anytime.
- > To make sure we have the organisational capacity, capability and culture to produce a high-performing workforce and deliver outcomes for the Government.

Following the new departmental structure taking effect on 1 September 2014, there will be further focus on reviewing and improving our existing internal business planning, risk management and resource allocation frameworks to align with our new structure, and facilitate and support strategic priorities in our Corporate Plan.

case
study

Innovative approach to developing Corporate Plan

One of our big internal jobs this year was to update our [Corporate Plan for 2014–17](#). In revising and strengthening this strategic blueprint for our organisation, we developed an innovative and highly collaborative approach that helped drive staff engagement and fostered cultural change, and drove the use of leading-edge information and communication technologies by staff.

'It provided an opportunity to work closely with other managers in a way that was new and different'

The development process for this project saw Executive Level 2 staff work collaboratively in cross-functional working groups to analyse and prioritise issues that related to the strategic landscape for the communications sector. Interviews with EL2 staff about their presentations were provided to staff by video, along with papers and slides, and all staff were encouraged to provide feedback.

Senior staff assessed issues and ranked them in order of importance. This helped us to develop our strategic priorities and associated actions, and had the flow-on effect of identifying the structural change needed to align resources with these new priorities.

Staff were kept informed and engaged throughout the process via a variety of communication channels. These included a dedicated page on our intranet, video updates, blogs, updates at branch, section and Open Space meetings—where staff could ask more detailed questions about the proposed priorities.

A key feature of the extensive communication strategy that surrounded this initiative was the use of video to drive staff engagement. This included uploading 'vox pops' summaries from working groups captured using a cloud-based streaming service, as well as video captured from smartphones. Staff became quite adept at using cloud-based tools for presentations and surveys. For example, a cloud-based animation tool was used to summarise the corporate planning process in an engaging way for an all-staff meeting.

The Secretary unveiled the new [Corporate Plan](#) at an all-staff meeting in February 2014, with the plan presented on our website in an innovative, digital format that allowed for easy navigation across the priorities and supporting actions.

The broad, collaborative, engagement approach we took helped deliver a Corporate Plan that is more relevant to staff. It has positioned us to implement a change reform agenda to strengthen our core capabilities across areas such as research, strategic policy and market leadership. In addition, this project allowed us to redefine and extend new ways of working while strengthening our core values.

Visit our [website](#) to take a look at our 2014–17 Corporate Plan.



Visit annualreport.communications.gov.au to view the online version of this case study

Risk management and fraud control

We are committed to promoting a culture that encourages rigorous risk assessment, informed risk taking and that anticipates risk in achieving objectives.

The EMG and the IRC played an active role in identifying, managing and mitigating risks, with the Audit Committee providing assurance in relation to the broader operation of the Risk Management Framework.

During 2013–14, we continued to make sure there were strong links between our identified key risks and our internal audit programme. We focused both on post-implementation issues as well as on actively using pre-emptive proactive audits and short 'in-flight' audits to identify and mitigate risks in the earlier stages of a programme or project.

Our fraud control arrangements form part of our Risk Management Framework and these comply with the Commonwealth Fraud Control Guidelines 2011. We have appropriate fraud prevention, detection, investigation, reporting, and data collection procedures and processes in place. During 2013–14, no incidents of fraud were reported.

We will carry out a formal review of our Risk Management Framework and fraud control arrangements in 2014–15 to make sure they align with the new Commonwealth risk management and fraud control arrangements, introduced under the *Public Governance, Performance and Accountability Act 2013* (that came into effect on 1 July 2014), and to reflect our new Corporate Plan and revised organisational structure.

Business continuity planning

We have a Business Continuity Plan that outlines policies, procedures and responsibilities to make sure key business activities continue in the event business is interrupted.

During 2013–14, the plan was updated and further strengthened following recommendations that arose from the desktop disaster recovery exercise carried out in June 2013. We will carry out a further review of the plan to reflect new arrangements under our revised organisational structure and will consider carrying out a further testing exercise in 2014–15.

Internal audit

During 2013–14, internal audit services were provided by KPMG and overseen by the Audit Committee. The 2013–14 Internal Audit Plan was developed to take into account our key business risks, as well as emerging risks of significance. The Audit Plan was developed in July 2013 and included a number of unallocated days to allow for a more flexible approach to changes in our risk profile over the year. The Audit Plan was further revised in March 2014, in consultation with senior management and the Audit Committee. All internal audit reports were reviewed by the Audit Committee.

At the end of the reporting period eight audits were complete, with two still in progress. A variety of auditing approaches were adopted including traditional performance audits, pre-emptive proactive audits and short 'in-flight' audits designed to test the need for a more in-depth audit.

Recommendations were tracked and progress reports were given to the Audit Committee and the Secretary.

Ethical standards

During 2013–14, we continued to promote the importance of ethical standards through the Chief Executive's Instructions (CEIs), practical guides, training programmes, and human resources policies and procedures.

Staff have been advised of their individual obligations under the Australian Public Service Values and Code of Conduct to manage real and perceived conflicts of interest through the CEIs and the Probity and Conflict of Interest Practical Guide. A record of private interest disclosures is maintained for SES staff.

We are considering any further steps we could reasonably take in 2014–15 to improve the way we manage conflict of interest issues following the release of the Australian National Audit Office (ANAO) report number 47 titled 'Managing Conflict of Interest in FMA Agencies'.

In January 2014, the Public Interest Disclosure scheme replaced the whistle-blowing provisions in the *Public Service Act 1999*. An overview and procedures for staff are accessible on our intranet and our Legal Division carried out awareness-raising sessions in early 2014.

Capability improvement planning

In late 2013, we assessed our organisational capability using the Portfolio, Programme and Project Management (P3M3) Maturity Model. This was based on a whole-of-Department view, rather than focusing only on ICT enabled initiatives. We have a Capability Improvement Plan in place to address the recommendations of the assessment, with mandatory reporting provided to the Department of Finance triannually on progress against the plan.

External scrutiny

In 2013–14, we took part in an ANAO cross-portfolio audit titled 'Confidentiality in Government Contracts Senate Order for Departmental and Agency Contracts'. The audit was still ongoing at the end of the reporting period.

During 2013–14, the Commonwealth Ombudsman received 51 approaches about the Department, with 28 of these investigated and 23 not investigated. Of the 51 approaches, 50 had been finalised at the end of the reporting period.

There were no judicial decisions, decisions of administrative tribunals or decisions by the Australian Information Commissioner that have had, or may have had, a significant impact on our operations during 2013–14.

Client Service Charter

Our Client Service Charter gives a contact point for clients to resolve complaints within the Department. Our Client Service Charter and complaints-handling policy were reviewed and updated during the previous year. One formal complaint was received during the reporting period.

Freedom of Information

We experienced a 45 per cent increase in the number of Freedom of Information (FOI) requests received this year; a total of 64 for 2013–14. Requests are becoming more sophisticated and complex, with the vast majority of requests focusing on departmental policy areas. Documents released through FOI are published in the FOI Disclosure Log.

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) must publish information for the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and replaces the former requirement to publish a section eight statement in an annual report.

Each agency must show on its website a plan detailing what information it publishes in accordance with the IPS requirements. Visit our website to view our [IPS Plan and FOI Disclosure Log](#).

Supporting our Minister

Throughout 2013–14, we supported four Ministers, two Parliamentary Secretaries and their offices by preparing, coordinating and processing responses to ministerial correspondence and questions taken on notice at Senate Estimates and Parliamentary Questions on Notice. We also prepared material for Senate Order reports, ministerial submissions and briefings on visits, meetings, functions, speeches, Question Time and Senate Estimates.

Table 3.1 Volume of correspondence, ministerial submissions, briefs and Questions on Notice processed

Type of advice	2012–13	2013–14
Ministerial correspondence*	7,758	8,885
Ministerial submissions	851	789
Briefs	222	223
Question Time briefs	319	152
Parliamentary Questions on Notice	93	65
Consumer campaign correspondence	16,438	26,587
Departmental Senate Estimates Questions on Notice	262	328
Portfolio agency Senate Estimates Questions on Notice	1,093	1,044

* Parliamentary reporting of correspondence includes all items received and processed, including items for information, appropriate action and response.

Parliamentary Committee Inquiries

During 2013–14, we appeared before the Senate Standing Committee on Environment and Communications for Supplementary Budget Estimates, Additional Budget Estimates and Budget Estimates.

We also made appearances before, as well as submissions and responses to, a number of parliamentary committee inquiries during the year.

Table 3.2 Appearances before, and submissions and responses to, parliamentary committee inquiries

Committee	Inquiry
Senate Standing Committee on Environment and Communications—legislation committee	<ul style="list-style-type: none"> > National Broadband Network Companies Amendment (Tasmania) Bill 2014 > Telecommunications Legislation Amendment (Submarine Cable Protection) Bill 2013 > Performance, importance and role of Australia Post in Australian communities and its operations in relation to licensed post offices
House Standing Committee on Petitions	<ul style="list-style-type: none"> > Rollout of NBN Co's radio network in Yarras, Clear Creek and Glanmire NSW and objection to erection of monopole at Limekilns Road, Yarras, NSW > 3G mobile phone network in Normanton and Karumba > Absence of mobile phone coverage in the towns of Tatong, Molyullah, Lurg and Samaria, Vic. > Broadband and internet connectivity in Wilcannia, NSW > Mobile and broadband coverage for Wantabadgery, NSW > Telecommunications for the residents of Shelford, Vic. > Internet and phone services in Caltowie, South Australia > Mobile phone coverage at Sisters Beach > Request to increase funding for the Australian Broadcasting Corporation, the Special Broadcasting Service and the National Indigenous Television Channel
Senate Select Committee on the National Broadband Network	<ul style="list-style-type: none"> > Inquiry into the Government's reviews of the National Broadband Network and the governance of NBN Co
Senate Select Committee on the National Broadband Network (former)	<ul style="list-style-type: none"> > Inquiry into the previous Government's initial National Broadband Network proposal
Joint Committee on the National Broadband Network	<ul style="list-style-type: none"> > Rollout of the National Broadband Network (Fifth Review)
Joint Select Committee on Cybersafety	<ul style="list-style-type: none"> > Inquiry into and report on the cybersafety of senior Australians, called 'Cybersafety for Seniors: A Worthwhile Journey' > Inquiry into and report on options for addressing the issue of sexting by minors called 'Options for addressing the issue of sexting by minors'
Joint Standing Committee on Electoral Matters	<ul style="list-style-type: none"> > Inquiry into and report on all aspects of the conduct of the 2013 federal election and matters related to it

Legal services

Our Legal Division provided legal advice on matters of portfolio interest, and when necessary used external providers to supplement this advice. The Division also supported reducing the regulatory burden for business and the community.

The Division provided advice on a wide variety of matters including:

- > NBN
- > digital television switchover
- > new telecommunications universal service arrangements
- > departmental procurement and contracting
- > FOI
- > international mobile roaming
- > mobile blackspot programme.

During 2013–14, the Legal Division provided input on two Bills and 46 legislative instruments.

Appendix 2 provides further details about legislation.

Communication and media services

During 2013–14, we refined how we communicate internally and externally and developed and introduced a Communication Strategy and supplementary Digital Strategy, to place the Department at the cutting edge of digital communication and allow consumers, stakeholders and industry to easily access relevant information and engage with us.

As a result, we have increased our communication activities on digital and social channels: delivering 37 videos; 53 web animations and infographics; and a vast array of social media content during the reporting period. In addition, we designed and delivered the 2013 incoming Government brief as an interactive digital app and became the first Department to provide incoming Government briefing in this way.

We support our strategic priorities by providing communication advice and various services to our Minister, Parliamentary Secretary and the Department. Following the change of Government, we designed and developed a [new ministerial website](#) that integrated the Minister and Parliamentary Secretary's social media feeds.

In 2013–14, we prepared 83 media releases, responded to 409 media enquiries, and produced 104 ministerial and departmental speeches.

During the reporting period, we implemented and evaluated Australia's successful digital switchover campaign, encouraging more than eight million households to switch from analog to digital-only television. A short video we produced showcased the mammoth task that faced the digital switchover programme and how the programme and campaign helped to convert around 98 per cent of Australians to digital television. The video can be found on our [website](#).

The Retune campaign promotes the final step in the move to digital-only television. So far, the campaign has run in more than 90 cities.

Over the next financial year, we will continue to implement our communication and digital strategies and will pilot a digital-literacy training programme to improve our internal capability to deliver digital communications. We are looking to roll out a new intranet, which will provide staff with new tools for internal social collaboration, will continue to strengthen delivery of internal communication activities, and will refocus our approach to consultation on key policies via online channels through a revamped departmental website.

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New app provides digital briefing for the Minister

Our day-to-day business is all about helping Australians take advantage of what technology can do for them. But this year, we turned the spotlight on ourselves briefly to see how we could revolutionise and better communicate with one of our key stakeholders.

In 2013–14, we came up with a more innovative way to deliver our incoming Government briefing (IGB). Rather than provide a traditional printed document in bulky folders to the incoming Minister and Parliamentary Secretary, we developed their briefing as a streamlined, interactive digital mobile app.

The app we developed can be securely uploaded, via a password protected Wi-Fi hard drive, to the Minister and Parliamentary Secretary's iPads. It includes key information and interactive diagrams that can be searched by topic and the level of priority. To make it even easier for our users to locate information, we built a native search engine to make the information far more accessible.

To develop the app, we had to rethink the way we found, developed and presented information. In line with best practice for writing for online readers, the content was characterised by the 'inverted pyramid' style of short abstracts, lists, dot points, headings and sub-headings.

The success and quality of the IGB app reflects the highly collaborative approach taken by our Communication, IT and Governance branches. The experience and knowledge we gained from the process has already fed into subsequent initiatives and informed the development of our digital literacy training programme.

'The Department is striving to provide a leading digital experience to both internal and external stakeholders'



Visit annualreport.communications.gov.au to view the online version of this case study

Information, security, technology, facilities and support

During 2013–14, we carried out a number of information technology improvement projects. Of significance was the upgrade to the unified communication and desktop videoconferencing solution, including the provision of federated services, which allows staff to communicate seamlessly and instantly from their desktop with key agencies.

We delivered the first major upgrade to our information management system, which provided significant usability and security enhancements to allow staff to more easily meet their record keeping obligations. In addition to making the application easier to use, the new version has reduced maintenance costs and provides tools to help managers with records governance. We also rolled out an enterprise customer relationship management system to a number of areas to help them meet their stakeholder management and customer contact needs.

In 2013–14, we requested 72 security clearances from the Australian Government Security Vetting Agency. This included Telecommunications Universal Service Management Agency (TUSMA) staff, as part of the support services we provide to the agency.

Environmental performance

We have maintained our commitment to continuing and improving our environmental performance through a number of initiatives. These included:

- > Upgrading the C-Bus lighting control system that improved the automated switching off building lighting systems for unoccupied rooms and office areas.
- > Organic waste recycling of biodegradable materials and food waste.
- > The use of solar panels and boiler reheat facility to supplement the supply of domestic hot water.

These initiatives allowed us to reduce energy consumption by six per cent in 2013–14. We also considered the environment in our procurement activities by making sure office equipment and whitegoods were replaced with energy efficient models.

On the information technology front, we encouraged more sustainable and efficient practices. These included:

- > Developing a roadmap to replace our workstations with low-energy PCs and notebooks.
- > Reducing the number of devices per staff member as part of the Department's Mobility Strategy.
- > Allowing staff to work electronically away from their desks using DirectAccess, reducing the need to print meeting papers.
- > Encouraging a 'clean desk' environment, devoid of paper.

Our people

Staff engagement

Consultative arrangements

Our consultative arrangements in 2013–14 included formal forums such as the Workplace Consultative Committee, the Health and Safety Committee and the Executive Management Group. We also consulted extensively during the development of the new Corporate Plan. In addition, there has been extensive consultation with staff about our Organisational Design and Staff Selection change programme that was announced on 28 February 2014.

Staff forums and networks

Throughout the year we initiated several new forums and networks including a Policy Reflections Forum, a Women's Network and an Innovation Network. These were championed by the Senior Executive and are open to all staff. They provide an important platform to encourage cross-Department collaboration and conversation on a range of issues, and support our broader organisational and cultural change agenda.

Throughout 2013–14, the Talking Heads programme gave staff access to high-quality industry business leaders and senior departmental staff. Topics covered during the period included big data, privacy protection for the 21st century and deregulation in the Communications portfolio. Minister Turnbull also made a presentation to the Department in October 2013.

Social club

Our Social Club is made up of a group of staff from across the Department who work hard to maintain a positive, collaborative and social workplace environment. The club takes the lead in organising the annual Christmas Party, trivia nights, happy hours and a number of ad hoc events throughout the year.

It also supports charities and community events, including fundraising for worthwhile causes such as the Starlight Children's Foundation and the Cancer Council. Some key achievements of the Social Club in 2013–14 included creating a branch representatives network, the launch of a members' discount card scheme and the creation of 'The Games' initiative to encourage people to take part in social events and strengthen ties between work areas.

Capability development and performance improvement

Core skills

Training in core skills is provided for all staff. In 2013–14, the key priority areas included APS and departmental induction, privacy awareness, enhancing performance through conversations and managing underperformance.

To support our staff through the organisational change process, the following workshops were held: Dealing with Change; Leading through Change; and Identifying Individual Capability.

As part of the staff selection and placement process, we are carrying out individual capability assessments. Staff at each level took part in a range of assessment activities. The results will identify capability levels and development needs for individuals and the broader Department.

APS values

During 2013–14, we carried out workshops with all staff to translate and articulate the revised APS values, ICARE, as behaviours in the context of our work. The output from workshops was validated by focus groups and the key elements form the foundation of our culture and values statement in the Corporate Plan 2014–17. The values and behaviours will underpin our performance and recognition programmes.

Leadership potential

Leadership and management capability programmes were again offered to APS 5–6 level, Executive levels 1 and 2 and Senior Executive Staff throughout the year.

During 2013–14, a Manager Development programme (APS 5–6) was delivered to 19 participants and Manager as Coach Programmes (EL1–2) was delivered to 22 participants. A total of 23 SES Band 1 staff attended the APS SES Band 1 Leadership Programme. These programmes are designed to improve staff capability to effectively lead and manage people and improve the career potential of staff. Other leadership programmes were attended by SES Band 2 and Band 3 staff.

Workplace diversity

Workplace diversity remains a high priority for the Department. The newly implemented People Strategy 2014–17 commits to embracing diversity. We continue to be committed to the recruitment of Indigenous staff by taking part in the Indigenous Pathways Programme. Meanwhile our participation in the Stepping into Programme helps support and maintain a workplace culture that values diversity, in particular improving employment outcomes for people with disability.

Our 'Working from Anywhere' pilot started 1 May 2014 and ran until 25 June 2014. This pilot will help us improve our flexible working arrangements, particularly for staff with disabilities and carers for those with a disability. Working from Anywhere builds on our successful participation in the APS Telework Trial in 2013–14.

During 2013–14, there were no formal bullying and harassment complaints. Eight complaints of inappropriate behaviour were informally discussed with either Diversity and Harassment Contact Officers, or Human Resources staff. This compares to no formal and seven informal complaints regarding inappropriate behaviour during 2012–13. We continue to utilise a range of formal and informal mechanisms that encourage a positive workplace culture.

Changes to disability reporting

Since 1994, Commonwealth Departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available at www.apsc.gov.au. Since 2010–11, Departments and agencies have no longer had to report on these functions.

The Commonwealth Disability Strategy has been replaced with the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with a disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014, and can be found at www.dss.gov.au.

Rewards and recognition

We celebrate and recognise the exceptional contribution of staff through the Rewards and Recognition Programme. The Secretary presented three team and four individual awards at the Australia Day Awards in January 2014.

The individual awards were for contribution to the APS Telework Trial, mySwitch online mapping application, excellence in speech writing and a leading role in developing amendments to Australia's submarine cable protection regime.

Team awards were presented to staff who were involved in the update to the National Digital Economy Strategy, the Digital Switchover Taskforce, the development and production of an innovative IGB mobile app, and re-engineering the websites of the Department, Minister Turnbull and Mr Fletcher.

In addition, Dr Simon Pelling was awarded a Public Service Medal in January 2014 for *'outstanding public service in the development of policy and programmes for broadcasting in Australia, especially to manage Australia's conversion from analog to digital television'*.

Workforce planning

We continued to develop and advance our workforce planning capability during 2013–14.

Workforce planning metrics and analysis have been provided regularly to the EMG and have been used to inform planning and decision making as programmes wind down and close, the organisation responds to reductions in budget funding in out years, and prepares for transition into a new organisational structure.

Work health and safety

There were 35 notifiable incidents reported during 2013–14. All involved external contractors where the Department was a secondary person conducting a business or undertaking. No provisional improvement notices were issued in 2013–14.

There was strong participation in the Global Corporate Challenge during 2013, which was aimed at encouraging increased physical activity. Feedback provided by staff at the end showed they considered this a worthwhile health initiative. The Department is taking part again in 2014.

As part of our significant change programme, a range of health and safety initiatives were implemented. These included: resilience training, managing change—a manager’s perspective; and managing change—an employee’s perspective. In addition, onsite support was provided to our staff by the Employee Assistance Programme and managers were provided with information on a range of resources and tools available to help them support their staff during times of significant change.

Terms and conditions of employment

Enterprise Agreement

The Department’s Enterprise Agreement came into effect on 1 July 2011 and nominally expired on 30 June 2014. This agreement covered all non-SES staff employed under the *Public Service Act 1999*. As at 30 June 2014, 464 staff were covered by this agreement. The agreement contains provisions for individual flexibility arrangements to enable remuneration and conditions to be tailored for individual employees in particular circumstances. At 30 June 2014, 26 non-SES staff had individual flexibility arrangements in place. The Secretary issued the Notice of Employee Representational Rights to initiate bargaining for the next Enterprise Agreement, on 6 June 2014.

SES remuneration

The terms and conditions of employment for SES staff are contained in individual Determinations made under sub-section 24(1) of the *Public Service Act 1999* and a Common Law Contract.

These instruments set the remuneration and employment conditions for SES staff and provide for non-salary inclusions relating to leave arrangements and entitlements, superannuation, salary sacrifice, travel and either a motor vehicle under the Executive Vehicle Scheme (or payment of an allowance in lieu of a motor vehicle).

See Appendix 3 for statistics on employment instrument coverage and SES remuneration.

Financial management

This section should be read in conjunction with the Department's audited financial statements for 2013–14, which appear in Section 4 of the report.

Financial overview

Parliament gives the Department two types of funding: departmental and administered. Departmental funds are used to produce goods and services (outputs) at a quantity, quality and price endorsed by the Government. We administer funds, assets and liabilities on behalf of the Australian Government, which controls how we use them and requires us to account for them separately.

Departmental finances

The Department's net cost of services for 2013–14 was \$111.5 million, with revenue from Government of \$106.1 million, resulting in an operating deficit of \$5.4 million. The surplus excluding depreciation was \$1.0 million.

Total expenses decreased by \$6.9 million in 2013–14, reflecting in the main, the winding down of the Digital Switchover Television Programme.

The Department's net assets were lower due primarily to financial assets reduced by the *Statute Stocktake (Appropriations) Act 2013*.

Table 3.3 Summary of departmental financial performance and position

	2009–10 \$m	2010–11 \$m	2011–12 \$m	2012–13 \$m	2013–14 \$m	Change last year
Employee and supplier expenses	143.9	120.4	127.6	113.1	108.2	-4.3% ▼
Depreciation	5.8	6.1	6.1	7.1	6.4	-9.9% ▼
Other expenses	1.2	0.2	0.4	1.5	0.2	-86.7% ▼
Total expenses	150.9	126.8	134.1	121.7	114.8	-5.7% ▼
Revenue from Government	153.8	125.2	127.6	113.2	106.1	-6.3% ▼
Other revenue	2.0	0.2	1.4	2.5	2.8	12.0% ▲
Gains	0.8	0.4	0.4	0.4	0.6	50.0% ▲
Total income	156.6	125.8	129.3	116.1	109.5	-5.7% ▼
Net cost of services	148.1	126.3	132.3	118.8	111.4	-6.2% ▼
Operating result (loss)	5.7	1.0	-4.7	-5.6	-5.3	-5.4% ▼
Financial assets	80.0	75.7	79.6	83.5	25.8	-69.1% ▼
Non-financial assets	13.3	19.5	25.1	22.0	19.9	-9.5% ▼
Liabilities	38.6	35.6	40.3	41.0	35.6	-13.2% ▼
Net assets	61.0	62.9	64.4	64.5	10.1	-84.3% ▼

Administered finances

Administered income decreased by \$101.0 million, reflecting a decrease in dividends received from Australia Post.

Administered expenses decreased by \$113.0 million, predominately due to the decreased activity associated with the Digital Television Switchover Programme, the Machinery of Government and the reduced level of grants during the year.

Administered financial assets increased due to the increased value of the Commonwealth's investments in NBN Co, ABC, SBS and Australia Post, plus the provision of new loans to ABS and SBS.

Administered non-financial assets are largely unchanged from the prior year.

Administered liabilities decreased by \$45.7 million, largely due to the decreased suppliers and subsidies payable on the administered programmes associated with the reduced activity in Digital Television Switchover Programme.

Table 3.4 Summary of administered financial performance and position

	2009–10 \$m	2010–11 \$m	2011–12 \$m	2012–13 \$m	2013–14 \$m	Change last year
Grants	74.2	63.9	549.7	190.5	133.9	-29.7% ▼
Subsidies	79.3	46.1	19.9	47.3	4.8	-89.9% ▼
Other expenses	36.4	44.2	71.2	115.8	52.0	-55.1% ▼
Payments to CAC Act* Bodies	1,121.5	1,167.8	1,218.9	1,273.7	1,323.6	3.9% ▲
Total expenses	1,311.3	1,321.9	1,859.7	1,627.3	1,514.3	-6.9% ▼
Interest	4.1	2.5	0.8	0.2	0.4	79.5%
Dividends	171.9	78.5	193.9	243.7	142.3	-41.6% ▼
Other revenue	1.0	1.2	0.9	1.8	2.0	11.1% ▲
Gains	0.0	0.0	0.0	0.0	0.0	N/A N/A
Total income	177.0	82.2	195.6	245.7	144.7	-41.1% ▼
Financial assets	3,630.5	4,900.3	6,829.5	6,823.1	8,749.7	28.2% ▲
Non-financial assets	47.7	228.6	280.4	195.8	190.2	-2.9% ▼
Liabilities	40.1	43.1	71.7	99.6	53.9	-45.9% ▼
Net assets	3,638.2	5,086.0	7,038.2	6,919.3	8,886.0	28.4% ▲

* Commonwealth Authorities and Companies Act 1997.

Financial management

During 2013–14, we formed a working group to identify, revise and update financial management guidance in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). This included the release of the Accountable Authority Instructions and new Instruments of Delegations.

Asset management

Our capital plan reflects Government priorities and business needs and complies with the Government's financial management framework. We monitor asset acquisitions and disposals against this plan. We carry out an annual stocktake to update and verify the accuracy of our asset records and review their condition and utility.

Procurement

Our procurement policies, processes and practices in place in 2013–14 were consistent with the FMA Act and the Commonwealth Procurement Rules (CPRs). Appropriate controls are in place to make sure procurement is carried out in accordance with the CPRs. These also help identify potential areas for improvement.

We publish procurement activities and annual procurement plans on AusTender. Information on expected procurement activities in 2014–15 is included in our latest annual procurement plan, and is also available on [AusTender](#).

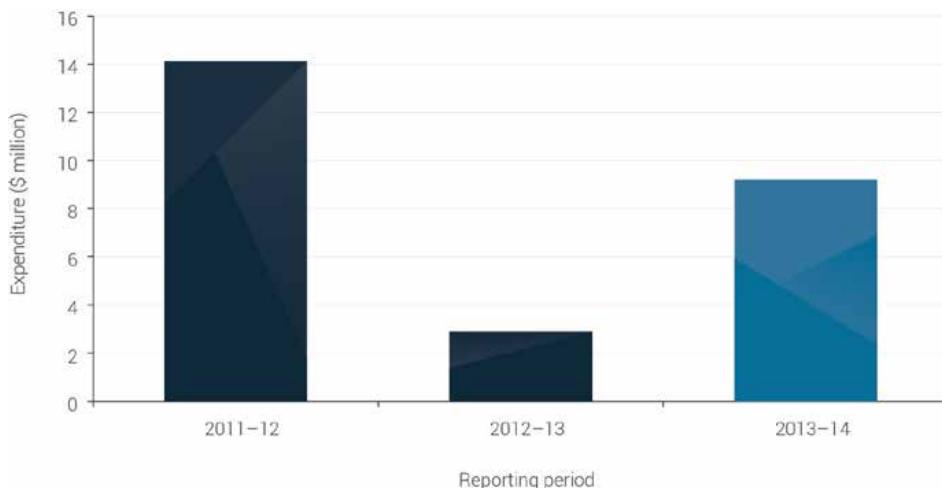
Consultancies

We engage consultants to provide specialised professional services when we do not have the capability or capacity to perform these in-house, or where we need independent research, review assessment or advice. Consultants are typically engaged to investigate or diagnose a specific issue or problem, carry out reviews or evaluations, as well as provide independent advice, information or solutions to help us make decisions.

Before engaging consultants, we take into account the skills and resources needed for the task, the skills available internally and the cost-effectiveness of engaging external expertise. Our policy for selecting and engaging consultants in 2013–14 was in accordance with the FMA Act and the CPRs and is based on the core principle of achieving value for money.

During 2013–14, 61 new consultancy contracts were entered into, involving total actual expenditure of \$5.7 million. In addition, 26 ongoing consultancy contracts were active during 2013–14, involving total actual expenditure of \$3.4 million.

Figure 3.1 Expenditure on consultancy contracts from 2011–14



Auditor-General's access to contractors premises

During 2013–14, all competitively tendered contracts of \$100,000 or more (inclusive of GST) gave the Auditor-General access to the premises of contractors.

Exempt contracts

During 2013–14, no contracts or standing offers were exempted by the Secretary from being published on AusTender on the basis they would disclose matters exempt under the FOI Act.

Grants

The Department administers the following grant programmes:

- > Community Broadcasting Programme
- > Consumer Representation Grants
- > Digital Hubs Programme
- > Digital Enterprise Programme
- > Digital Local Government Programme
- > Digital Business Kits
- > ICT Centre of Excellence—National ICT Australia
- > Museum Online
- > Regional Equalisation Plan
- > Restack—Programme Management
- > Spectrum Restacking
- > Viewer Access Satellite Television
- > The Electronic News Gathering Programme.

Information on grants awarded by the Department during the period 1 July 2013 to 30 June 2014 is available on our [website](#).

Section Four Financial statements

This section contains the audited financial statements of this Department for the year ended 30 June 2014.

4



INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications

I have audited the accompanying financial statements of Department of Communications for the year ended 30 June 2014, which comprise: a Statement by the Departmental Secretary and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments; and Notes to and forming part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Secretary's Responsibility for the Financial Statements

The Secretary of the Department of Communications is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of Communications' preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Communications' internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Secretary of the Department of Communications, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Department of Communications:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Department of Communications' financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



John Jones
Executive Director
Delegate of the Auditor-General
Canberra
30 September 2014



Australian Government
Department of Communications

2013-14 FINANCIAL STATEMENTS

**STATEMENT BY THE DEPARTMENTAL SECRETARY
AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Drew Clarke
Secretary



Karen Toole
Chief Financial Officer

29 September 2014

30 September 2014

Department of Communications
Statement of Comprehensive Income
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	3A	72,772	78,127
Suppliers	3B	35,465	34,939
Grants	3C	-	5
Depreciation and amortisation	3D	6,421	7,094
Finance costs	3E	52	48
Write-down and impairment of assets	3F	127	1,406
Losses from asset sales	3G	3	1
Other expenses	3H	2	48
Total expenses		114,842	121,668
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	4A	2,540	2,419
Rental income	4B	225	119
Other revenue	4C	21	8
Total own-source revenue		2,786	2,546
Gains			
Other gains	4D	577	374
Total gains		577	374
Total own-source income		3,363	2,920
Net cost of services		111,479	118,748
Revenue from Government	4E	106,089	113,190
Deficit before income tax on continuing operations		(5,390)	(5,558)
Deficit after income tax		(5,390)	(5,558)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		969	246
Total other comprehensive income after income tax		969	246
Total comprehensive income		(4,421)	(5,312)

The above statement should be read in conjunction with the accompanying notes.

Department of Communications
Statement of Financial Position
as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	6A, 11	576	588
Trade and other receivables	6B	25,208	82,898
Other financial assets	6C	-	16
Total financial assets		25,784	83,502
Non-financial assets			
Land and buildings	7A, 7C	5,573	6,269
Property, plant and equipment	7B, 7C	4,324	5,322
Intangibles	7D, 7E	8,417	9,048
Other non-financial assets	7F	1,542	1,389
Total non-financial assets		19,856	22,028
Total assets		45,640	105,530
LIABILITIES			
Payables			
Suppliers	8A	3,654	7,830
Lease incentives	8B	256	98
Other payables	8C	2,971	5,169
Total payables		6,881	13,097
Provisions			
Employee provisions	9A	24,841	23,630
Other provisions	9B	3,903	4,232
Total provisions		28,744	27,862
Total liabilities		35,625	40,959
Net assets		10,015	64,571
EQUITY			
Contributed equity/capital		5,385	16,789
Reserves		9,834	8,865
Retained surplus		(5,204)	38,917
Total equity		10,015	64,571

The above statement should be read in conjunction with the accompanying notes.

Department of Communications
Statement of Changes in Equity
for the year ended 30 June 2014

	Retained surplus		Asset revaluation		Contributed equity/capital		Total equity	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	38,917	44,475	8,865	8,619	16,789	11,330	64,571	64,424
Adjusted opening balance	38,917	44,475	8,865	8,619	16,789	11,330	64,571	64,424
Comprehensive income								
Surplus (Deficit) for the year	(5,390)	(5,558)	-	-	-	-	(5,390)	(5,558)
Other comprehensive income	-	-	989	246	-	-	969	246
Total comprehensive income	(5,390)	(5,558)	989	246	-	-	(4,421)	(5,312)
Transactions with owners								
Distributions to owners								
Returns of appropriation								
Reductions of appropriations (Statute Stocktake) (Appropriations Bill 2013) ¹	(54,367)	-	-	-	(1,153)	-	(55,520)	-
Restructuring	-	-	-	-	(20)	-	(20)	-
Contributions by owners								
Equity injection - Appropriation								
Departmental capital budget	-	-	-	-	1,141	1,200	1,141	1,200
Total transactions with owners	(54,367)	-	-	-	4,264	4,259	4,264	4,259
Total transfers between equity components								
Closing balance as at 30 June	(5,204)	38,917	9,834	8,865	5,385	16,789	10,015	64,571

¹ Appropriations from 1 July 1999 through to 30 June 2010 were repealed.

The above statement should be read in conjunction with the accompanying notes.

Department of Communications
Cash Flow Statement
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		4,051	2,119
Appropriations		117,417	118,755
Net GST received		3,410	3,725
Other		25	12
Total cash received		<u>124,903</u>	<u>124,611</u>
Cash used			
Employees		73,022	77,878
Suppliers		42,874	37,956
Grants		-	61
Section 31 receipts transferred to the Official Public Account		9,021	8,773
Other		2	53
Total cash used		<u>124,919</u>	<u>124,721</u>
Net cash used by operating activities	11	<u>(16)</u>	<u>(110)</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		4	461
Total cash received		<u>4</u>	<u>461</u>
Cash used			
Purchase of land and buildings		114	808
Purchase of property, plant and equipment		771	1,097
Purchase of intangibles		2,537	3,840
Total cash used		<u>3,422</u>	<u>5,745</u>
Net cash used by investing activities		<u>(3,418)</u>	<u>(5,284)</u>
FINANCING ACTIVITIES			
Cash received			
Contributed equity		503	1,200
Departmental capital budget		2,919	4,259
Total cash received		<u>3,422</u>	<u>5,459</u>
Net cash from financing activities		<u>3,422</u>	<u>5,459</u>
Net (decrease) increase in cash held		<u>(12)</u>	<u>65</u>
Cash and cash equivalents at the beginning of the reporting period		588	523
Cash and cash equivalents at the end of the reporting period	6A	<u>576</u>	<u>588</u>

The above statement should be read in conjunction with the accompanying notes.

Department of Communications
Schedule of Commitments
as at 30 June 2014

	2014 \$'000	2013 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	2,404	3,051
Other commitments	600	2,415
Total commitments receivable	<u>3,004</u>	<u>5,466</u>
Commitments payable		
Operating leases ¹	15,326	19,575
Service contract commitments ²	12,018	15,802
Total commitments payable	<u>27,344</u>	<u>35,377</u>
Net commitments by type	<u>24,340</u>	<u>29,911</u>
BY MATURITY		
Commitments receivable		
Net GST recoverable on commitments		
One year or less	1,204	1,062
From one to five years	1,200	1,975
Over five years	-	14
Total net GST recoverable on commitments	<u>2,404</u>	<u>3,051</u>
Other commitment receivable		
One year or less	600	2,415
Total other commitment receivable	<u>600</u>	<u>2,415</u>
Total commitments receivable	<u>3,004</u>	<u>5,466</u>
Commitments payable		
Operating lease commitments		
One year or less	4,369	4,356
From one to five years	10,957	15,219
Total operating lease commitments	<u>15,326</u>	<u>19,575</u>
Service contract commitments		
One year or less	9,577	9,146
From one to five years	2,441	6,500
Over five years	-	156
Total service contract commitments	<u>12,018</u>	<u>15,802</u>
Total commitments payable	<u>27,344</u>	<u>35,377</u>
Net commitments by maturity	<u>24,340</u>	<u>29,911</u>

Commitments are GST inclusive where relevant.

Department of Communications
Schedule of Commitments
as at 30 June 2014

¹ Operating leases relate to premises leased by the Department. The main operating leases include the following:

Nature of lease	General description of leasing arrangement
Leases for office accommodation	<p><i>Main office accommodation</i></p> <p>Lease payments at 38 Sydney Avenue, Canberra are subject to a 3.5% fixed annual adjustment. The current term for the office accommodation expires on 21 November 2017. A further term of 5 years is available at the Department's discretion.</p> <p><i>Secondary office accommodation</i></p> <p>Lease payments at 44 Sydney Avenue level 1, Canberra, were subject to a 4% fixed annual adjustment. This converted to annual CPI increases as at 1 August 2010. The current term for the office accommodation expires on 31 July 2014 and the Department is continuing lease negotiations for level 1.</p> <p>Lease payments at 44 Sydney Avenue suite 1A, Canberra, are subject to a 3.5% fixed annual adjustment. The current term expires on 31 July 2014. The Department is continuing lease negotiations for suite 1A.</p> <p>Lease payments at 31 Market Street level 18, Sydney, are subject to a 4% fixed annual adjustment. The current term expires on 30 June 2014. The Department is continuing lease negotiations for level 18.</p> <p>Lease payments for the lease of storage space at 122-124 Gladstone Street, Canberra, are subject to a 4% fixed annual adjustment. The current term expires on 30 April 2014 and the Department is continuing on month by month lease agreement whilst lease negotiations are continuing.</p>
Agreements for the provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the Department.

² Service contract commitments primarily relate to security, cleaning, payroll, consultancies and contractors.

Department of Communications
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
NET COST OF SERVICES			
EXPENSES			
Suppliers	17A	38,568	99,910
Subsidies	17B	4,763	47,257
Grants	17C	133,920	190,496
Depreciation and amortisation	17D	7,779	10,482
Payments to CAC Act bodies	17E	1,323,625	1,273,676
Other expenses	17F	5,739	5,471
Total expenses		1,514,394	1,627,292
INCOME			
Revenue			
Non-taxation revenue			
Interest	18A	359	248
Dividends	18B	142,300	243,700
Rental income	18C	1,529	1,529
Other revenue	18D	481	267
Total non-taxation revenue		144,669	245,744
Gains			
Reversals of previous asset write-downs and impairments	18E	-	3
Total gains		-	3
Total income		144,669	245,747
Net (cost of) services		(1,369,725)	(1,381,545)
Deficit		(1,369,725)	(1,381,545)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		5,665	-
Items subject to subsequent reclassification to net cost of services			
(Losses)/Gains on available for sale financial assets		(1,286,945)	(2,403,173)
Total other comprehensive income		(1,281,280)	(2,403,173)
Total comprehensive loss		(2,651,005)	(3,784,718)

This schedule should be read in conjunction with the accompanying notes.

Department of Communications
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Financial assets			
Receivables	20A	45,771	12,453
Other investments	20B	8,703,908	6,810,647
Total financial assets		8,749,679	6,823,100
Non-financial assets			
Property, plant and equipment	21A, 21B	179,779	181,893
Inventories	21C	-	170
Other non-financial assets	21D	10,381	13,738
Total non-financial assets		190,160	195,801
Total assets administered on behalf of Government		8,939,839	7,018,901
LIABILITIES			
Payables			
Suppliers	22A	2,501	32,599
Subsidies	22B	163	23,844
Grants	22C	26,509	16,661
GST payable	22D	5,743	6,014
Other payables	22E	18,992	20,521
Total payables		53,908	99,639
Total liabilities administered on behalf of Government		53,908	99,639
Net assets		8,885,931	6,919,262

This schedule should be read in conjunction with the accompanying notes.

Department of Communications
ADMINISTERED RECONCILIATION SCHEDULE
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
Opening assets less administered liabilities as at 1 July	6,919,262	7,038,154
Net (cost of)/contribution by services		
Income	144,669	245,747
Expenses		
Payments to Non-CAC Act bodies	(190,769)	(353,616)
Payments to CAC Act bodies	(1,323,625)	(1,273,676)
Other comprehensive income:		
Revaluations taken (from) / to reserves		
Investment Reserve	(1,286,945)	(2,403,173)
Asset Revaluation Reserve	5,665	
Transfers to/from Australian Government:		
Appropriation transfers from OPA:		
Annual appropriations for expenses (non CAC)	219,758	233,279
Asset and liabilities appropriations for payments to CAC Act bodies	3,193,300	2,050,000
Annual appropriations for payment to CAC Act bodies	1,323,625	1,273,676
Loans to CAC Act bodies	40,000	
Appropriation transfers to OPA:	(159,009)	(257,574)
Receipts from the BAF Communications Portfolio Special Account - NBN Co Limited	-	366,445
Closing assets less liabilities as at 30 June	8,885,931	6,919,262

Department of Communications
ADMINISTERED CASH FLOW STATEMENT
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		129	258
Dividends		142,300	243,700
Net GST received		22,292	33,395
Other		276	687
Total cash received		164,997	278,040
Cash used			
Grants		146,176	124,460
Subsidies		28,914	32,502
Suppliers		60,322	92,617
Payments to CAC Act bodies		1,323,625	1,273,676
Other		6,157	5,295
Total cash used		1,565,194	1,528,550
Net cash used by operating activities	23	(1,400,197)	(1,250,510)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans		3,000	3,000
Proceeds from return of equity by CAC Act body		13,094	9,094
Total cash received		16,094	12,094
Cash used			
CAC Act body investments		3,193,300	2,416,445
Total cash used		3,193,300	2,416,445
Net cash used by investing activities		(3,177,206)	(2,404,351)
Net decrease in cash held		(4,577,403)	(3,654,861)
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from Official Public Account for:			
- Appropriations		219,758	233,279
- CAC Act body appropriations		4,516,925	3,323,676
- Special Accounts		-	366,445
- Section 30A drawdowns		22,021	22,490
Total cash from official public account		4,758,704	3,945,890
Cash to Official Public Account for:			
- Appropriations		183	888
- Dividends		142,300	243,700
- Section 30A repayments		22,292	33,455
- Other		16,526	12,986
Total cash to official public account		181,301	291,029
Cash and cash equivalents at the end of the reporting period		-	-

This schedule should be read in conjunction with the accompanying notes.

Department of Communications
SCHEDULE OF ADMINISTERED COMMITMENTS
as at 30 June 2014

	2014 \$'000	2013 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	18,120	27,045
Total commitments receivable	<u>18,120</u>	<u>27,045</u>
Commitments payable		
Capital commitments		
Investments in Commonwealth companies ¹	21,081,555	25,171,555
Total capital commitments	<u>21,081,555</u>	<u>25,171,555</u>
Other Commitments		
Grant commitments ²	176,496	230,185
NBN implementation, including universal service obligation ³	-	-
Other ⁴	22,831	67,311
Total other commitments	<u>199,327</u>	<u>297,496</u>
Total commitments payable	<u>21,280,882</u>	<u>25,469,051</u>
Net commitments by type	<u>21,262,762</u>	<u>25,442,006</u>
BY MATURITY		
Commitments receivable		
Net GST recoverable on commitments		
One year or less	9,671	15,784
From one to five years	8,449	10,483
Over five years	-	778
Total commitments receivable	<u>18,120</u>	<u>27,045</u>
Commitments payable		
Capital commitments		
One year or less	5,200,000	5,100,000
From one to five years	15,881,555	19,000,000
Over five years	-	1,071,555
Total capital commitments	<u>21,081,555</u>	<u>25,171,555</u>
Other commitments		
One year or less	106,389	173,629
From one to five years	92,938	115,308
Over five years	-	8,559
Total other commitments	<u>199,327</u>	<u>297,496</u>
Total commitments payable	<u>21,280,882</u>	<u>25,469,051</u>
Net commitments by maturity	<u>21,262,762</u>	<u>25,442,006</u>

Commitments are GST inclusive where relevant.

¹ Investments in Commonwealth companies relates to the Commonwealth's Equity Agreement with the NBN Co Limited.

² Grant commitments predominantly relate to the Digital Switchover funding (\$76,498,000), the Information Communication Technology (ICT) - Centre of Excellence (\$46,677,000), Digital Productivity (\$22,174,000), Electronic News Gathering (\$10,014,000), Restack Program (\$7,926,000), Consumer Representation Grants Program (\$7,436,000) and Regional Equalisation Plan (\$5,719,000).

³ Other commitments mainly relate to media advertising, contractors and outsourced services for Digital Switchover and Regional Telecommunications Review Response as well as advertising and public relations for Restack Program.

This schedule should be read in conjunction with the accompanying notes.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

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Department of Communications
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NOTE 1: Summary of Significant Accounting Policies

1.1 Objectives of the Department of Communications

The Department of Communications (the Department) is a Government controlled entity. It is a not-for-profit entity. The objective of the Department is to promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services.

The Department is structured to meet one outcome:

Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services

The continued existence of the Department in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the Department's administration and programs noting that in the 2014-15 Budget, the Government announced the decision to transfer the functions of the Telecommunications Universal Service Management Agency (TUSMA) to the Department. The Department has established a working group to identify and address matters related to the transition. The working group covers, but is not limited to: governance, legal, finance, people, risk management, contract management, programme delivery and systems.

Department activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department, on behalf of the Government, of items controlled or incurred by the Government.

The Department is structured to deliver its outcome through a single programme: Digital Technologies and Communications Services. The Department provides strategic advice on and administers programmes and initiatives that promote an innovative and competitive communications sector so all Australians can realise the full potential of digital technologies and communications services. This includes advising on and facilitating:

- Opportunities arising from the innovative adoption and use of digital technologies
- The delivery of competitive and efficient digital infrastructure to drive growth in the broader economy
- Promotion of competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content and unfair dealing.

1.2 Objectives of the Department of Broadband, Communications and the Digital Economy

The Department's name was officially changed from the 'Department of Broadband, Communications and the Digital Economy (DBCDE)' to the 'Department of Communications' as a result of the Administrative Arrangements Order (AAO) announced by the Prime Minister on 18 September 2013.

The DBCDE was structured to meet the following outcome:

Outcome 1: Development of a vibrant, sustainable and internationally competitive broadband, broadcasting and communications sector, through policy development, advice and program delivery, which promotes the digital economy for all Australians.

The DBCDE was responsible for the following programs:

- Broadband and Communications Infrastructure: which facilitates the increased availability of fast, affordable and reliable broadband and communications infrastructure across Australia.
- Digital Economy and Postal Services: which supports all Australians to safely and securely realise the full potential of the digital economy and ensures the availability and reliability to consumers and businesses of reasonably priced basic and essential communications services.
- Broadcasting and Digital Television: which ensures the smooth transition to digital television by the end of 2013, through supporting access to high quality and diverse broadcasting services that deliver content consistent with Australia's diverse community expectations and needs.

1.3 Compliance with statutory requirements

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* [2014] HCA 23, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

1.4 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2014

The financial statements have been prepared in accordance with:

- the Finance Minister's Orders for Financial Reporting (FMOs) for reporting periods ending on or after 1 July 2012; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities valued at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an Australian Accounting Standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Department, or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an Australian Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments or the Schedule of Contingencies (other than unquantifiable contingencies, which are reported at Notes 12 and 24).

Unless alternative treatment is specifically required by an Australian Accounting Standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.20.

1.5 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Department has made some judgements that do have a significant impact on the amounts recorded in the financial statements. Estimates made in relation to the departmental financial statements are to: non-financial assets; employee provisions; lease incentives; and the make-good for leased properties.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In relation to Administered Investments in Australia Post, management estimates are used to determine volume and price growth rates that underpin the discounted cash flow valuation for 2012–13. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

1.6 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. No new standards, revised standards, interpretations or amending standards that were issued prior to the signing of the Statement by the Chief Executive and Chief Financial Officer and are applicable to the current reporting period have a material financial impact or are expected to have a material future financial impact on the Department.

The AASB 13 *Fair Value Measurement* defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. The standard has been issued to ensure consistency of fair value measurement and disclosure within the financial statements. The Department has applied the new fair value measurement guidance in accordance with the transitional provisions of AASB 13 as outlined in Note 5: Fair Value Measurements and Note 19: Administered – Fair Value Measurements.

The updated version of AASB 119 *Employee Benefits* revised the accounting treatment for defined benefits plans, amended the definition of short term employee benefits to benefits that are expected to be settled within 12 months after the end of the reporting period in which the employees render the related service. The entity has applied the new standard retrospectively in accordance with the transitional provision of the standard by determining its annual leave liabilities on a present value basis using a discount rate as outlined in Note 9A: Employee Provisions.

Future Australian Accounting Standard Requirements

No new standards, revised standards, interpretations and amending standards that were issued prior to the signing of the Statement by the Chief Executive and the Chief Financial Officer and are applicable to future reporting periods are expected to have a material future financial impact on the entity.

The issuance of AASB 1055 *Budgetary Reporting* which will be applicable to the Department on or after 1 July 2014 is expected to have a material impact on the entity's future financial statements. The new Standard requires the Department to report on budgetary information and explanation of significant variances between actual results and budgeted amounts.

1.7 Revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the seller retains no managerial involvement nor effective control over the goods;

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2014

- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Department.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the Department.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at balance date. Impairment allowances are made when collectability of the debt is no longer probable.

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Department gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

1.8 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition, or for nominal consideration, are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.9).

Sale of Assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

1.9 Transactions with the Government as Owner

Equity Injections

Amounts appropriated that are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Distributions to Owners

The FMOs require that distributions to owners be debited to equity unless they are in the nature of a dividend.

1.10 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave, as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Department is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Department's employer superannuation contribution rates, to the extent that the leave is likely to be taken during service rather than paid out on termination.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2014

The liability for long service leave has been determined by using the Department of Finance's Short Hand Method as at 30 June 2014, as outlined in the FMOs. The estimate of the present value of the liability takes into account expected attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

The Department recognises a payable or provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of the Department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation fund as elected by staff.

The CSS and PSS are defined benefit schemes of the Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Government and is settled by the Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Department makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Department accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.11 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract. A liability is recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis representative of the pattern of benefits derived from the leased assets.

Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

1.12 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- Cash on hand; and
- Cash in special accounts.

1.13 Financial Assets

The Department classifies financial assets as 'cash and cash equivalents', as outlined above, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated cash flows. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.14 Financial Liabilities

The Department's financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2014

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and Other Payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Grants and Subsidies Payable

Grants and subsidies made by the Department are recognised as liabilities and expenses only at the time that the recipient has met all obligations and conditions required in the grant or subsidy agreement.

Parental Leave Payments Scheme

The Department offsets amounts received under Parental Leave Payments Scheme (for payment to employees) by amounts paid to employees under that scheme, because these transactions are only incidental to the main revenue-generating activities of the Department. Amounts received by the Department not yet paid to employees are presented gross as cash and a liability (payable). Amounts attributable to the scheme only appear in the financial statements to the extent that they remain unpaid at year end.

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.16 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.17 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a related group that is significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make-good' provisions in property leases taken up by the Department where an obligation exists to restore the property to its original condition. These costs are included in the value of the Department's leasehold improvements with a corresponding provision for the 'make-good' recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair value measured at:
Land and buildings	Depreciated replacement cost
Property, plant and equipment	Market selling price or depreciated replacement cost

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income, except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2014

Depreciation

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2014	2013
Land and Buildings		
• Leasehold improvements	Lower of 10 years or lease term	Lower of 10 years or lease term
Property, Plant and Equipment		
• Computer equipment	3 to 5 years	3 to 5 years
• Plant, office equipment, furniture & fittings	5 to 10 years	5 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2014. Where indications of impairment existed, the asset's recoverable amount was estimated and an impairment adjustment made if the asset's recoverable amount was less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Department were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.18 Intangibles

The Department's intangibles comprise software externally purchased and internally developed software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life.

The useful lives of the Department's software are:

	2014	2013
• Externally purchased software	3 to 5 years	3 to 5 years
• Internally developed software	3 to 5 years	3 to 5 years

All software assets were assessed for indications of impairment as at 30 June 2014.

1.19 Taxation

The Department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

1.20 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the Department for use by the Government rather than the Department is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Government. These transfers to and from the OPA are adjustments to the administered cash held by the Department on behalf of the Government and reported as such in the Schedule of Administered Cash Flows and in the Administered Reconciliation Schedule.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the Department on behalf of the Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

Dividends are recognised when the right to receive payment is established.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Rental Income is recognised over the term of the Indefeasible Rights of Use granted by the Commonwealth to external parties for use of the Administered Property, Plant and Equipment.

Administered Investments

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Government level.

Administered investments, other than those held for sale, are classified as 'available for sale' and are measured at their fair value as at 30 June 2014. Apart from the Australian Postal Corporation, fair value has been taken to be the net assets of the entities as at the end of the reporting period. For the Australian Postal Corporation for 2013-14, fair value has been taken to be the net assets of the entity at the end of the reporting period, plus the difference between fair value and cost of Land and Buildings. For 2012-13 the investment in the Australian Postal Corporation was valued using the Discounted Cash Flow methodology.

As per AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*, the Department has determined that the appropriate valuation method for 2013-14 for the investment in the Australian Postal Corporation is a cost approach. As per AASB 13.65 the change to a cost approach valuation is appropriate when the change results in a measurement that is more representative of fair value including, for example, in the circumstances of market conditions changing. The cost approach uses observable inputs, which gives a more representative fair value than the income approach in the current postal market. The income approach relies on a level of unobservable inputs due to the nature of the assumptions, particularly surrounding the Community Service Obligations of Australia Post, which impacts on the results of the Discounted Cash Flow model. The cost approach utilised is Net Assets at Fair Value.

Guarantees

The amounts guaranteed by the Commonwealth have been disclosed in Note 24 to the extent that they are quantifiable.

At 30 June 2014, there is no reason to believe that the guarantees would be called upon and the likelihood of future settlement is considered remote, therefore, recognition of a liability is not required. The guarantees are in relation to NBN Co's financial obligations under the Definitive Agreements and are measured as follows:

Telstra Financial Guarantee: the total of committed future payments during the contract term for infrastructure accessed at 30 June 2014, calculated based on current pricing.

NBN Co Equity Agreement: the sum of total liabilities per NBN Co Limited's Balance Sheet and the discounted value of the minimum contractual commitments entered into at 30 June 2014.

Optus Financial Guarantee: NBN Co's financial obligations under the Hybrid Fibre Coaxial (HFC) Subscriber Agreement for the period of the national broadband rollout in Optus Hybrid Fibre Coaxial areas at 30 June 2014.

Grants and Subsidies

The Department administers a number of grant and subsidy schemes on behalf of the Government.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Commonwealth enters into an agreement to make these grants but services have not been performed or criteria satisfied.

Subsidy liabilities are recognised to the extent that the subsidy eligibility criteria have been satisfied, but payments due have not been made.

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for the period ended 30 June 2014

Payments to Commonwealth Authorities and Companies (CAC Act Bodies)

Payments to CAC Act bodies from amounts appropriated for that purpose are classified as administered expenses, loans or an increase to the administered investment of the Department. The Department makes payments to both the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service Corporation (SBS). The appropriation to the Department is disclosed in Table A of the appropriations note.

Loans and Receivables

Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Property, Plant and Equipment

Depreciation rates applying to property, plant and equipment are based on a useful life of 25-30 years (2013: 25-30 years).

In 2013-14, an independent valuer conducted a revaluation of these assets as at 31 March 2014.

Inventories

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2014

NOTE 2: Events after the Reporting Period

Departmental

There are no events that occurred after reporting date that would materially affect the departmental financial statements.

The Omnibus Repeal Day (Autumn 2014) Act 2014 which is currently awaiting Royal Assent will have the effect of repealing appropriations from 1 July 2010 through 30 June 2012. Note 28 highlights the appropriations that were repealed.

Administered

There are no events that occurred after reporting date that would materially affect the administered financial statements.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

2014	2013
\$'000	\$'000

NOTE 3: Expenses

Note 3A: Employee Benefits

Wages and salaries	50,415	56,714
Superannuation:		
Defined contribution plans	4,076	4,578
Defined benefit plans	5,638	6,406
Leave and other entitlements	4,840	6,515
Separation and redundancies	6,249	2,419
Performance pay	510	610
Other employee expenses	1,044	885
Total employee benefits	72,772	78,127

Note 3B: Suppliers

Goods and services supplied or rendered

Consultants and contractors	11,885	9,916
Computing and communications	9,600	7,639
Office requisites	1,043	1,302
Property	1,200	1,404
Training and travel	2,186	3,385
Other goods and services	2,509	3,926
Total goods and services supplied or rendered	28,423	27,572

Goods supplied in connection with

Related entities	797	1,192
External parties	2,512	3,513
Total goods supplied	3,309	4,705

Services rendered in connection with

Related entities	1,536	2,107
External parties	23,578	20,760
Total service rendered	25,114	22,867
Total goods and services supplied or rendered	28,423	27,572

Other suppliers

Operating lease rentals in connection with

External parties		
Minimum lease payments	6,147	6,295
Contingent rentals	-	241
Workers compensation expenses	895	831
Total other suppliers	7,042	7,367
Total suppliers	35,465	34,939

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 3: Expenses (continued)		
Note 3C: Grants		
Private sector:		
Non-profit organisations	-	5
Total grants	-	5
Note 3D: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	1,385	1,190
Land and buildings	1,579	2,790
Total depreciation	2,964	3,980
Amortisation:		
Intangibles: computer software - purchased	180	230
Intangibles: computer software - internally developed	3,277	2,884
Total amortisation	3,457	3,114
Total depreciation and amortisation	6,421	7,094
Note 3E: Finance Costs		
Unwinding of discount	52	48
Total finance costs	52	48
Note 3F: Write-Down and Impairment of Assets		
Impairment of land and buildings	39	695
Impairment of property, plant and equipment	88	37
Impairment of intangibles	-	674
Total write-down and impairment of assets	127	1,406
Note 3G: Losses from Asset Sales		
Property, plant and equipment:		
Proceeds from sale	(4)	(209)
Carrying value of assets sold	7	210
Land and buildings:		
Proceeds from sale	-	(219)
Carrying value of assets sold	-	219
Intangibles:		
Proceeds from sale	-	(33)
Carrying value of assets sold	-	33
Net losses from asset sales	3	1
Note 3H: Other Expenses		
Other	2	48
Total other expenses	2	48

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 4: Own-Source Income		
Own-Source Revenue		
<u>Note 4A: Sale of Goods and Rendering of Services</u>		
Sale of goods in connection with		
Related parties	-	8
Total sale of goods	-	8
Rendering of services in connection with		
Related parties	2,519	2,380
External parties	21	31
Total rendering of services	<u>2,540</u>	<u>2,411</u>
Total sale of goods and rendering of services	<u>2,540</u>	<u>2,419</u>
<u>Note 4B: Rental Income</u>		
Operating lease:		
Rental revenue	225	119
Total rental income	<u>225</u>	<u>119</u>
<u>Note 4C: Other Revenue</u>		
Freedom of information requests	3	1
Refunds from previous year payments	18	4
Other revenue	-	3
Total other revenue	<u>21</u>	<u>8</u>
Gains		
<u>Note 4D: Other Gains</u>		
Resources received free of charge	575	370
Other	2	4
Total other gains	<u>577</u>	<u>374</u>
<u>Note 4E: Revenue from Government</u>		
Appropriations		
Departmental appropriations	106,089	113,190
Total revenue from Government	<u>106,089</u>	<u>113,190</u>

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 5: Fair Value Measurements**

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
 Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
 Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurements**Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014**

	Fair value measurements at the end of the reporting period using			
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
Non-financial assets				
Leasehold improvements	5,573	-	-	5,573
Property, plant and equipment	4,324	-	1,805	2,519
Total non-financial assets	9,897	-	1,805	8,092
Assets not measured at fair value in the statement of financial position				
Non-financial assets¹	-	-	-	-

¹ The Department did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2014.

Fair value measurements - Highest and Best Use

The Department's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all controlled assets is considered their highest and best use.

Note 5B: Level 1 and Level 2 transfers for recurring fair value measurements**Recurring fair value measurements transferred between Level 1 and Level 2 for assets and liabilities**

	Transferred from	
	Level 1 to Level 2 2014 \$'000	Level 2 to Level 1 2014 \$'000
Non-financial assets		
Leasehold improvements	-	-
Property, plant and equipment	-	-
Total non-financial assets	-	-

There have been no transfers between levels of the hierarchy during the year.

The Department deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 6: Fair Value Measurements (continued)

Note 5C: Valuation Technique and inputs for Level 2 and Level 3 fair value measurements

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets in 2014

	Category (Level 2 or Level 3)	Fair value \$'000	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Non-financial assets					
Leasehold improvements					
Fit-outs	Level 3	3,956	Depreciated Replacement Cost (DRC)	Replacement Cost New (price per square meter) Consumed economic benefit/Obsolescence of asset	 10.0% - 10.0% (10.0%) per annum
Make good	Level 3	1,617	Net Present Value	Current obligation costs (price per square meter) Discount rate Indexation rates	\$85-\$250 3.75% - 4.24% (4.02%) 2.3% - 3.8% (2.6%)
Property, plant and equipment	Level 2	1,805	Market Approach	Adjusted market transactions	
Property, plant and equipment	Level 3	2,519	Depreciated Replacement Cost (DRC)	Replacement Cost New Consumed economic benefit/Obsolescence of asset	 25.0% - 6.7% (15.2%) per annum

¹ There have been no changes to valuation techniques.

² Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Recurring and non-recurring Level 3 fair value measurements - valuation processes

The Department procured the service of the Australian Valuation Office (AVO) to undertake a comprehensive valuation of all non-financial assets at 30 June 2011. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. The Department has engaged Australian Valuation Solutions (AVS) to provide written assurance that the models developed comply with AASB 13.

There is no change in the valuation technique since the prior year.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 6: Fair Value Measurements (continued)**

Significant Level 3 inputs utilised by the Department are derived and evaluated as follows:

Leasehold Improvements - Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated Depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

Leasehold Improvements - Current Restoration Costs, indexation rates and discount rate

Applicable make good provisions have been determined in accordance with Australian Accounting Guidance Note 2010/1 Accounting for Decommissioning, Restoration and Similar Provisions ('Make Good'). Current restoration cost have been established based on analysed transactions, costing publications and industry sources. Current restoration costs have been index to the obligation date (generally the expiry of the lease term) using industry building cost indexes relevant to the asset's city and then discounted, where the time value of money is material using the Australian government 10-year bond rate. The estimated provision is depreciated in line with the corresponding leasehold improvement asset, professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

Property, Plant and Equipment - Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated Depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

Recurring and non-recurring Level 3 fair value measurements - sensitivity of inputs**Leasehold Improvements & Property, Plant and Equipment - Consumed economic benefit / Obsolescence of asset**

The significant unobservable inputs used in the fair value measurement of the Department's leasehold improvements and property, plant and equipment asset classes relate to the consumed economic benefit/asset obsolescence. A significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement.

Leasehold Improvements - Current Restoration Costs, indexation rates and discount rate

The significant unobservable inputs used in the fair value measurement of the Department's leasehold restoration cost (make good) asset class relate to the current restoration costs, escalation rates and discount rates. A significant increase (decrease) in this cost and (or) escalation rate and decrease (increase) in the discount rate would result in a significantly higher (lower) fair value measurement.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 6: Fair Value Measurements (continued)

Note 5D: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets			Total 2014 \$'000
	Leasehold improvements 2014 \$'000	Property, plant and equipment 2014 \$'000		
Opening balance¹	6,269	3,214		9,483
Additions by purchase	114	589		703
Revaluation increments recognised in other comprehensive income	808	-		808
Impairments recognised in the Retained Surplus	(39)	(62)		(101)
Depreciation	(1,579)	(948)		(2,527)
Reclassification	-	(274)		(274)
Closing balance	5,573	2,519		8,092

¹ Opening balance as determined in accordance with AASB 13

² There have been no transfers between levels of the hierarchy during the year.

The Department deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 6: Financial Assets		
<u>Note 6A: Cash and Cash Equivalents</u>		
Cash on hand or on deposit	576	588
Total cash and cash equivalents	576	588
<u>Note 6B: Trade and Other Receivables</u>		
Goods and services receivables in connection with		
Related parties	158	1,490
External parties	13	7
Total goods and services receivables	171	1,497
Appropriations receivables		
For existing programs	24,110	80,430
Total appropriations receivable	24,110	80,430
Other receivables		
GST receivable from the Australian Taxation Office	922	963
Other:		
- employees	5	8
Total other receivables	927	971
Total trade and other receivables (gross)	25,208	82,898
Total trade and other receivables (net)	25,208	82,898
Trade and other receivables (gross) are aged as follows:		
Not overdue	25,070	82,076
Overdue by:		
0 to 30 days	-	753
31 to 60 days	133	61
More than 90 days	5	8
Total trade and other receivables (gross)	25,208	82,898

All receivables are expected to be recovered in no more than 12 months.

Credit terms for goods and services were within 30 days (2013: 30 days).

The Department has not allocated an amount to an impairment allowance in 2014 (2013: nil).

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 6: Financial Assets (continued)

Note 6B: Trade and Other Receivables (continued)

Reconciliation of the Impairment Allowance

There were no movements in the impairment allowance account in 2013 or 2014.

	2014 \$'000	2013 \$'000
Accrued revenue - goods and services	-	16
Total accrued revenue	-	16

All accrued revenues are expected to be recovered in no more than 12 months.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 7: Non-Financial Assets		
Note 7A: Land and Buildings		
Leasehold improvements		
Fair value	8,236	8,484
Accumulated depreciation	(2,698)	(2,548)
Work in progress	35	333
Total land and buildings	5,573	6,269

As at 30 June 2014, several items of fit out were found to be impaired and subsequently written down. The net book value of these assets was \$39,000.

Revaluations of land and buildings

All revaluations are conducted in accordance with the revaluation policy stated in Note 1. An independent valuer conducted the revaluations as at 31 May 2014.

Revaluation increments of \$808,000 for leasehold improvements (2013: \$168,000) were credited to the asset revaluation reserve and included in the equity section of the Balance Sheet; no increments/decrements were expensed (2013: nil).

Assets purchased during 2013-14 were excluded from the asset revaluation because they represent fair value. Depreciation associated with these assets was recorded for the year. The net book value of these assets as at 30 June 2014 was \$106,000.

	2014 \$'000	2013 \$'000
Note 7B: Property, Plant and Equipment		
Property, plant and equipment:		
Fair value	6,757	6,121
Accumulated depreciation	(2,658)	(1,543)
Work in progress	225	744
Total property, plant and equipment	4,324	5,322

As at 30 June 2014, several items of property, plant and equipment were found to be impaired and subsequently written down. The net book value of these assets was \$88,000.

Revaluations of property, plant and equipment

All revaluations are conducted in accordance with the revaluation policy stated in Note 1. An independent valuer conducted the revaluations as at 31 May 2014.

No revaluation increments (2013: nil) were credited to the asset revaluation surplus by asset class and included in the equity section of the Balance Sheet; no increments/decrements were expensed (2013: nil).

Assets purchased during 2013-14 were excluded from the asset revaluation because they represent fair value. Depreciation associated with these assets was recorded for the year. The net book value of these assets as at 30 June 2014 was \$745,000.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 7: Non-Financial Assets (continued)

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2013-14)

	Land and buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2013			
Gross book value	8,817	6,865	15,682
Accumulated depreciation and impairment	(2,548)	(1,543)	(4,091)
Total as at 1 July 2013	6,269	5,322	11,591
Additions:			
By purchase	114	771	885
Revaluations and impairments recognised in other comprehensive income	808	-	808
Impairments recognised in the operating result	(39)	(88)	(127)
Reclassifications	-	(289)	(289)
Depreciation expense	(1,579)	(1,385)	(2,964)
Disposals	-	(7)	(7)
Total as at 30 June 2014	5,573	4,324	9,897
Total as at 30 June 2014 represented by:			
Gross book value	8,271	6,982	15,253
Accumulated depreciation and impairment	(2,698)	(2,658)	(5,356)
Total as at 30 June 2014	5,573	4,324	9,897

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2012-13)

	Land and buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2012			
Gross book value	9,988	5,098	15,086
Accumulated depreciation and impairment	(175)	(211)	(386)
Total as at 1 July 2012	9,813	4,887	14,700
Additions:			
By purchase	808	1,097	1,905
Revaluations and impairments recognised in other comprehensive income	168	-	168
Impairments recognised in the operating result	(695)	(37)	(732)
Reclassifications	(816)	775	(41)
Depreciation expense	(2,790)	(1,190)	(3,980)
Disposals	(219)	(210)	(429)
Total as at 30 June 2013	6,269	5,322	11,591
Total as at 30 June 2013 represented by:			
Gross book value	8,817	6,865	15,682
Accumulated depreciation and impairment	(2,548)	(1,543)	(4,091)
Total as at 30 June 2013	6,269	5,322	11,591

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 7: Non-Financial Assets (continued)		
Note 7D: Intangibles		
Computer software:		
Purchased	2,399	2,388
Internally developed - in progress	1,317	5,025
Internally developed - in use	15,963	9,440
Accumulated amortisation	(11,262)	(7,805)
Total Intangibles	8,417	9,048

As at 30 June 2014, no intangible assets were found to be impaired and subsequently written down.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 7: Non-Financial Assets (continued)

Note 7E: Reconciliation of the Opening and Closing Balances of Intangibles (2013-14)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2013			
Gross book value	14,465	2,388	16,853
Accumulated amortisation and impairment	(5,782)	(2,023)	(7,805)
Total as at 1 July 2013	8,683	365	9,048
Additions:			
By purchase or internally developed	2,537	-	2,537
Reclassifications	278	11	289
Amortisation	(3,277)	(180)	(3,457)
Total as at 30 June 2014	8,221	196	8,417
Total as at 30 June 2014 represented by:			
Gross book value	17,280	2,399	19,679
Accumulated amortisation and impairment	(9,059)	(2,203)	(11,262)
Total as at 30 June 2014	8,221	196	8,417

Note 7E: Reconciliation of the Opening and Closing Balances of Intangibles (2012-13)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2012			
Gross book value	12,870	2,334	15,204
Accumulated amortisation and impairment	(4,313)	(1,903)	(6,216)
Total as at 1 July 2012	8,557	431	8,988
Additions:			
By purchase or internally developed	3,828	12	3,840
Impairments recognised in the operating result	(632)	(42)	(674)
Reclassifications	(153)	194	41
Amortisation	(2,884)	(230)	(3,114)
Disposals	(33)	-	(33)
Total as at 30 June 2013	8,683	365	9,048
Total as at 30 June 2013 represented by:			
Gross book value	14,465	2,388	16,853
Accumulated amortisation and impairment	(5,782)	(2,023)	(7,805)
Total as at 30 June 2013	8,683	365	9,048

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 7: Non-Financial Assets (continued)		
<u>Note 7F: Other Non-Financial Assets</u>		
Prepayments	1,542	1,389
Total other non-financial assets	1,542	1,389
Other non-financial assets expected to be recovered		
No more than 12 months	1,542	1,389
Total other non-financial assets	1,542	1,389

No indicators of impairment were found for other non-financial assets.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 8: Payables		
Note 8A: Suppliers		
Trade creditors and accruals	2,781	7,468
Operating lease rentals	873	362
Total suppliers	<u>3,654</u>	<u>7,830</u>
Supplier expected to be settled		
No more than 12 months	2,781	7,479
More than 12 months	873	351
Total suppliers	<u>3,654</u>	<u>7,830</u>
Suppliers in connection with		
Related parties	176	233
External parties	3,478	7,597
Total suppliers	<u>3,654</u>	<u>7,830</u>
Settlement was usually made within 30 days.		
Note 8B: Lease Incentives		
Lease incentives	256	98
Total lease incentives	<u>256</u>	<u>98</u>
Lease incentives are expected to be settled		
Within 1 year	157	4
Between 1 to 5 years	99	94
Total lease incentives	<u>256</u>	<u>98</u>
Note 8C: Other Payables		
Wages and salaries	1,557	1,661
Superannuation	274	290
Separations and redundancies	661	2,495
Payables - employees	349	101
Revenue received in advance	-	413
Other payables	130	209
Total other payables	<u>2,971</u>	<u>5,169</u>

All other payables are expected to be settled in no more than 12 months.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 9: Provisions		
Note 9A: Employee Provisions		
Leave	20,038	23,630
Separations and redundancies	4,803	-
Total employee provisions	24,841	23,630
Employee provisions are expected to be settled		
No more than 12 months	6,384	7,329
More than 12 months	18,457	16,301
Total employee provisions	24,841	23,630
Note 9B: Other Provisions		
Provision for make-good ¹	1,617	1,946
Other provisions ²	2,286	2,286
Total other provisions	3,903	4,232
Other provisions are expected to be settled		
No more than 12 months	2,651	3,020
More than 12 months	1,252	1,212
Total other provisions	3,903	4,232

	Provision for make-good \$'000	Other Provisions \$'000	Total \$'000
As at 1 July 2013	1,946	2,286	4,232
Amounts used	(220)	-	(220)
Unwinding of discount or change in discount rate	(109)	-	(109)
Total as at 2014	1,617	2,286	3,903

¹ The Department currently has four (2013: six) agreements for the leasing of premises that have provisions requiring the Department to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of this obligation.

² Following the termination of its agreement with OPEL Network Pty Ltd (OPEL) under the Broadband Connect program in 2008-09, the Department has made provision towards costs incurred by OPEL in producing its implementation plan.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 10: Restructuring

Note 10A: Departmental Restructuring

	Office of Spatial Policy, The Department of Industry ¹	Indigenous Programs, The Department of the Prime Minister and Cabinet ³
	2014 \$'000	2014 \$'000
FUNCTIONS ASSUMED		
Assets recognised		
Cash	329	-
Total assets recognised	329	-
Liabilities recognised		
Provisions - employees	389	-
Total liabilities recognised	389	-
Net liabilities recognised²	(60)	-
Expenses		
Recognised by the receiving entity	263	-
Recognised by the losing entity	1,478	-
Total expenses assumed	1,741	-
FUNCTIONS RELINQUISHED		
Assets relinquished		
Appropriation Receivable	-	456
Total assets relinquished	-	456
Liabilities relinquished		
Provision - Leave	-	456
Total liabilities relinquished	-	456
Net assets relinquished⁴	-	-

¹ The Department assumed responsibility for the Office of Spatial Policy from the Department of Industry following a restructuring of administrative arrangements, effective 2 April 2014.

² In respect of functions assumed, the net book values of assets and liabilities were transferred to the entity for no consideration.

³ The Department relinquished responsibility for the Indigenous Programs (Indigenous Communications Program and Indigenous Broadcasting Program) to the Department of the Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 18 September 2013.

⁴ In respect of functions relinquished, the net book values of assets and liabilities were transferred for no consideration.

Note 10B: Administered Restructuring

	Indigenous Programs, The Department of the Prime Minister and Cabinet ¹
	2014 \$'000
FUNCTIONS RELINQUISHED	
Income	
Recognised by the losing entity	11
Total income relinquished	11
Expenses	
Recognised by the losing entity	8,077
Total expenses relinquished	8,077

¹ The Department relinquished responsibility for the Indigenous Programs (Indigenous Communications Program and Indigenous Broadcasting Program) to the Department of the Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 18 September 2013.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 11: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	576	588
Balance Sheet	576	588
Difference	<hr/> -	<hr/> -
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(111,479)	(118,748)
Add revenue from Government	106,089	113,190
Adjustments for non-cash items		
Depreciation / amortisation	6,421	7,094
Net write-down of non-financial assets	127	1,406
Adjustment for changes in accounting estimates	161	78
Loss on disposal of assets	3	1
Return of Appropriations	(55,520)	-
Restructuring	(20)	-
Undrawn capital appropriations	1,983	-
Changes in assets / liabilities		
Decrease / (Increase) in net receivables	57,690	(3,815)
Decrease / (Increase) in accrued revenue	16	(16)
(Increase) / decrease in other non-financial assets	(153)	61
(Decrease) / Increase in supplier payables	(4,176)	723
Decrease in grant payables	-	(50)
Increase / (decrease) in lease incentives	158	(221)
(Decrease) / increase in other payables	(2,198)	550
Increase / (decrease) in employee provisions	1,211	(333)
Decrease in other provisions	(329)	(30)
Net cash used by operating activities	<hr/> (16)	<hr/> (110)

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 12: Contingent Assets and Liabilities

Quantifiable Contingencies

There are no quantifiable contingencies as at 30 June 2014 (2013: nil).

Unquantifiable Contingencies

There are no unquantifiable contingencies as at 30 June 2014 (2013: nil).

Significant Remote Contingencies

Operating Leases and Car Parking Licences

The Commonwealth indemnifies third parties against loss in relation to operating leases for accommodation, storage and some car parking. The Commonwealth also indemnifies some third parties against loss in relation to car parking facilities acquired under car parking licence agreements. As at 30 June 2014, no claims have been made.

National Broadband Network Panel of Experts and Strategic Adviser

The Commonwealth provided indemnities to the non-Commonwealth members of the National Broadband Network (NBN) Panel of Experts and the Strategic Adviser to the NBN Request for Proposal process (RFP), to protect them against civil claims that may arise in the course of performing their duties. The NBN RFP process was terminated on 7 April 2009 and the work of the panel and the Strategic Adviser has concluded. As at 30 June 2014, no claims have been made.

Westpac Banking Corporation

The Commonwealth indemnifies Westpac Banking Corporation against loss reasonably incurred in relation to Departmental banking functions. In June 2010, the Department entered into a new banking contract with Westpac that provided for an indemnity capped at \$50 million per occurrence. The previous contract provided for an indemnity capped at \$25 million per occurrence. As at 30 June 2014, no claims have been made.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$	2013 \$
NOTE 13: Senior Executive Remuneration		
<u>Note 13A: Senior Executive Remuneration Expense for the Reporting Period¹</u>		
Short-term employee benefits:		
Salary	5,923,911	5,511,298
Other ²	1,019,468	771,062
Total short-term employee benefits	6,943,379	6,282,360
Post-employment benefits:		
Superannuation	1,289,253	1,100,193
Total post-employment benefits	1,289,253	1,100,193
Other long-term employee benefits:		
Annual leave accrued	550,680	515,160
Long-service leave	308,310	351,222
Total other long-term employee benefits	858,990	866,382
Total employment benefits	9,091,623	8,248,935

Notes:

¹ Excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than \$195,000.

² Includes motor vehicle, other allowances and reportable fringe benefits.

NOTE 13: Senior Executive Remuneration (continued)

Note 13B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	2014		Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
				Reportable allowances ⁴ \$	Bonus paid ⁵ \$			
Total remuneration (including part-time arrangements):								
Less than \$195,000	11	101,998	16,332	-	-	-	-	118,330
\$195,000 to \$224,999	5	185,405	31,929	-	-	-	-	217,334
\$225,000 to \$254,999	13	199,777	37,227	-	-	-	-	237,004
\$255,000 to \$284,999	3	234,155	39,137	-	-	-	-	273,292
\$285,000 to \$314,999	2	241,269	47,217	-	-	-	-	288,485
\$315,000 to \$344,999	1	278,880	47,653	-	-	-	-	326,533
\$345,000 to \$374,999	3	300,672	58,313	-	-	-	-	358,986
\$645,000 to \$674,999	1	576,898	92,986	-	-	-	-	669,884
Total	39							
Total remuneration (including part-time arrangements):								
Less than \$195,000	14	80,725	12,678	-	-	-	-	93,403
\$195,000 to \$224,999	13	180,876	29,849	-	-	-	-	210,725
\$225,000 to \$254,999	7	194,850	33,346	-	-	-	-	228,195
\$255,000 to \$284,999	5	218,368	40,464	-	-	-	-	258,831
\$315,000 to \$344,999	2	285,477	49,836	-	-	-	-	335,313
\$345,000 to \$374,999	1	294,375	51,631	-	-	-	-	346,005
\$435,000 to \$464,999	1	406,657	55,076	-	-	-	-	461,733
Total	43							

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2014

NOTE 13: Senior Executive Remuneration (continued)

Note 13B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period (continued)

Notes:

¹ This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

² 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- c) reportable employer superannuation contributions; and
- d) exempt foreign employment income.

³ The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.

⁴ 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals payment summaries.

⁵ 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Note 13C: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period

Average annual reportable remuneration paid to other highly paid staff in 2014	Other Highly Paid Staff No.	Reportable salary ¹ \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration (including part-time arrangements):						
\$195,000 to \$224,999	5	163,434	32,532	-	7,498	203,465
Total	5					

Average annual reportable remuneration paid to other highly paid staff in 2013 (continued)

Average annual reportable remuneration ¹	Other Highly Paid Staff No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration (including part-time arrangements):						
\$195,000 to \$224,999	-	-	-	-	-	-
Total	-					

NOTE 13: Senior Executive Remuneration (continued)

Note 13C: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period (continued)

¹ 1. This table reports staff:

- a) who were employed by the entity during the reporting period;
- b) whose reportable remuneration was \$195,000 or more for the reporting period; and
- c) were not required to be disclosed in Table B or director disclosures. Each row is an averaged figure based on headcount for individuals in the band.

² 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); and
- c) reportable employer superannuation contributions.

³ The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

⁴ 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

⁵ 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 14: Remuneration of Auditors		
Financial statement audit services	380	370
Total	380	370

No other services were provided by the auditors of the financial statements.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 15: Financial Instruments		
Note 15A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	576	588
Receivables - good and services	171	1,497
Receivables - employees	5	8
Total loans and receivables	<u>752</u>	<u>2,093</u>
Total financial assets	<u>752</u>	<u>2,093</u>
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - goods and services	2,781	7,468
Payables - related entities ¹	349	101
Payables - others	64	72
Total financial liabilities measured at amortised cost	<u>3,194</u>	<u>7,641</u>
Total financial liabilities	<u>3,194</u>	<u>7,641</u>

¹ Payables to related entities relate to the transfer of employee liabilities.

Note 15B: Fair Value of Financial Instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2014	2014	2013	2013
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	576	576	588	588
Receivables - good and services	171	171	1,497	1,497
Receivables - employees	5	5	8	8
Total financial assets	<u>752</u>	<u>752</u>	<u>2,093</u>	<u>2,093</u>
Financial Liabilities				
Payables - goods and services	2,781	2,781	7,468	7,468
Payables - employees	349	349	101	101
Payables - other	64	64	72	72
Total financial liabilities	<u>3,194</u>	<u>3,194</u>	<u>7,641</u>	<u>7,641</u>

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 15: Financial Instruments (continued)****Note 15C: Credit Risk**

The Department is not exposed to a high level of credit risk as the majority of financial assets are cash and receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of trade debtors and other receivables, net of impairment losses, represents the Department's maximum exposure to credit risk as \$176,000 (2013: \$1,505,000). The Department has assessed the risk of the default on payment and has not allocated an amount to an impairment allowance in 2014 (2013: nil).

The Department manages its credit risk by undertaking background and credit checks prior to entering a debtor relationship. In addition, the Department has policies and procedures that guide debt recovery activities.

The Department holds no collateral to mitigate against credit risk.

Included in the Department's receivables balance are debtors with a carrying amount of \$138,000 (2013: \$822,000) that are past due at the reporting date and for which the Department has not provided. Based on experience, the Department considers that the amounts are still recoverable.

Credit quality of financial instruments not past due or individually determined as impaired

	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past Due or Impaired	Past Due or Impaired
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Loans and receivables				
Cash and cash equivalents	576	588	-	-
Receivables - good and services	38	683	133	814
Receivables - employees	-	-	5	8
Total	614	1,271	138	822

Ageing of financial assets that were past due but not impaired for 2014

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables					
Receivables - good and services	-	133	-	-	133
Receivables - employees	-	-	-	5	5
Total	-	133	-	5	138

Ageing of financial assets that were past due but not impaired for 2013

Loans and receivables				
Receivables - good and services	-	753	61	-
Receivables - employees	-	-	-	8
Total	-	753	61	8

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 15: Financial Instruments (continued)

Note 15D: Liquidity Risk

The Department's financial liabilities consist of payables. The exposure to liquidity risk is based on the notion that the Department may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding mechanisms. The Department is appropriated funding from the Australian Government and manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Department has policies in place to ensure timely payments are made when due and has no experience of default.

All financial liabilities are payable within one year.

The Department has no derivative financial liabilities in both the current and prior year.

Note 15E: Market Risk

The Department holds basic financial instruments that do not expose it to certain market risks.

The Department is not exposed to 'currency risk' or 'other price risk'.

The Department does not have any interest-bearing items on the Balance Sheet. Therefore, the Department is not exposed to 'interest rate risk'.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
NOTE 16: Financial Assets Reconciliation			
<u>Financial assets</u>			
Total financial assets as per statement of financial position		25,784	83,502
Less: Non-financial instrument components			
Appropriations receivables	6B	24,110	80,430
GST receivable	6B	922	963
Accrued Revenue	6C	-	16
Total non-financial instrument components		25,032	81,409
Total financial assets as per financial instruments note	15	752	2,093

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 17: Administered - Expenses		
Note 17A: Suppliers		
Goods and services supplied or rendered		
Advertising and marketing	16,404	38,759
Computing and communications	7	86
Consultants and contractors	18,636	56,598
Office requisites	65	251
Other goods and services	142	901
Property	3,314	3,315
Total goods and services supplied or rendered	38,568	99,910
Goods supplied in connection with		
Related entities	450	1,489
External parties	38,118	98,421
Total goods supplied	38,568	99,910
Total goods and services supplied or rendered	38,568	99,910
Note 17B: Subsidies		
Subsidies in connection with		
External parties		
Regional Telecommunications Review Response	2,375	2,257
Digital Switchover Television	2,388	45,000
Total subsidies	4,763	47,257
Note 17C: Grants		
Public sector		
Australian Government entities (related entities)	1,350	69,722
State and Territory Governments	666	446
Local Governments	7,553	10,052
Private sector		
Non-profit organisations	55,278	55,491
Commercial entities	69,073	54,785
Total grants	133,920	190,496
Note 17D: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	7,741	10,354
Total depreciation	7,741	10,354
Amortisation:		
Assets held under finance leases	38	128
Total amortisation	38	128
Total depreciation and amortisation	7,779	10,482

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 17: Administered - Expenses (continued)		
Note 17E: Payments to CAC Act Bodies		
Australian Broadcasting Corporation	1,053,853	1,025,200
Special Broadcasting Service Corporation	269,772	248,476
Total payments to CAC Act Bodies	1,323,625	1,273,676
Note 17F: Other Expenses		
International membership fees	5,739	5,471
Total other expenses	5,739	5,471
NOTE 18: Administered - Income		
REVENUE		
Non-Taxation Revenue		
Note 18A: Interest		
Loans	358	248
Other	1	-
Total interest	359	248
Note 18B: Dividends		
Australia Post dividends	142,300	243,700
Total dividends	142,300	243,700
Note 18C: Rental Income		
Operating lease	1,529	1,529
Total rental income	1,529	1,529
Note 18D: Other Revenue		
Grant refunds	259	224
Subsidy refunds	-	3
Other revenue	222	40
Total other revenue	481	267
Note 18E: Reversals of Previous Asset Write-Downs and Impairments		
Impairment on financial instruments (receivables)	-	3
Total reversals of previous asset write-downs and impairments	-	3

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2014

NOTE 19: Administered - Fair Value Measurements

The following table provides an analysis of assets and liabilities that are measured at fair value.

The different levels of fair value hierarchy are defined as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liabilities.

Note 19A: Fair Value Measurement

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014

	Fair value measurements at the end of the reporting period using		
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000
Assets not measured at fair value in the administered schedule of assets			
Financial assets			
Receivables - loans to CAC Act bodies	40,103	-	40,103
Available for sale financial assets			
Investment in Australian Broadcasting Corporation and controlled entities	1,055,091	-	1,055,091
Investment in Special Broadcasting Corporation and controlled entities	198,541	-	198,541
Investment in NBN Co Limited	4,923,976	-	4,923,976
Investment in Australian Postal Corporation	2,526,300	-	2,526,300
Total financial assets	8,744,011	-	40,103
Non-financial assets			
Property, plant and equipment	179,779	-	179,779
Total non-financial assets	179,779	-	179,779
Total assets not measured at fair value in the administered schedule of assets	8,923,790	-	40,103
There have been no transfers between levels of the hierarchy during the year.			
The Department deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.			

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2014

NOTE 19: Administered - Fair Value Measurements (continued)

Note 19B: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets and liabilities in 2014

	Category (Level 2 or Level 3)	Fair value \$'000	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Assets not measured at fair value in the administered schedule of assets					
Financial assets					
Loans and receivables	Level 2	40,103	Discounted cash flow	Future principal and interest cash flows Market rate of interest	
Available for sale financial assets					
Investment in Australian Broadcasting Corporation and controlled entities	Level 3	1,055,091	Net asset balance	Net assets of the entity	N/A
Investment in Special Broadcasting Corporation and controlled entities	Level 3	198,541	Net asset balance	Net assets of the entity	N/A
Investment in NBN Co Limited	Level 3	4,923,976	Net asset balance	Net assets of the entity	N/A
Investment in Australian Postal Corporation	Level 3	2,526,300	Net asset balance ³	Net assets of the entity	N/A
Non-financial assets					
Property, plant and equipment	Level 3	179,779	Depreciated Cost (DRC)	Replacement cost per unit for the following asset components: - Fibre optic cable (per km)	\$5.33 - \$12.71 (\$6.57)
				- Controlled environment vault shelters (per section)	\$271.90 - \$528.13 (\$324.46)
				- Bpol cabinets (per cabinet)	\$538.61 - \$869.21 (\$615.65)
				Remaining useful life (in years)	12 - 27 (23)
				Inflation factor	0.94% - 1.22% (1.11%)
				Installation cost per section of network	\$492.73 - \$1,117.20 (\$562.87)
				Installation cost per cabinet	\$35.98 - \$154.05 (\$110.30)

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 for the year ended 30 June 2014

NOTE 19: Administered - Fair Value Measurements (continued)

Note 19B: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements (continued)

Notes:

¹ There have been no changes to valuation techniques during the period, except for the change from the Discounted Cash Flow methodology to Net Assets for the investment in Australian Postal Corporation. This is due to the nature of the assumptions, particularly those surrounding the Community Service Obligations of Australia Post, which impacts on the results of the Discounted Cash Flow model (refer Note 1.20 Administered Investments).

² Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

³ The net asset balance of Australian Postal Corporation is \$1,763 million as per the Australian Postal Corporation Financial Statements, which is increased by the difference between the Fair Value and cost of Land and Buildings, being \$763 million, totalling \$2,526 million.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Recurring and non-recurring Level 3 fair value measurements - valuation processes

The Department engaged the service of KPMG to undertake a valuation of property, plant and equipment assets as at 31 March 2014. There is no change in the valuation technique since the prior year.

Significant Level 3 inputs utilised by the Department are derived and evaluated as follows:

Property, Plant and Equipment - Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated Depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

Recurring and non-recurring Level 3 fair value measurements - sensitivity of inputs

Property, Plant and Equipment - Consumed economic benefit / Obsolescence of asset

The significant unobservable inputs used in the fair value measurement of the Department's property, plant and equipment asset classes relate to the consumed economic benefit/asset obsolescence. A significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS***for the year ended 30 June 2014***NOTE 19: Administered - Fair Value Measurements (continued)****Note 19C: Reconciliation for recurring Level 3 fair value measurements****Recurring Level 3 fair value measurements - reconciliation for assets**

	Non-financial assets		
	Administered Investments 2014 \$'000	Property, plant and equipment 2014 \$'000	Total 2014 \$'000
Opening balance¹	6,810,647	181,893	6,992,540
Revaluation increments recognised in other comprehensive income	(1,286,945)	5,665	(1,281,280)
Equity injections	3,193,300	-	3,193,300
Returns to the Consolidated Revenue Fund (CRF)	(13,094)	-	(13,094)
Depreciation	-	(7,779)	(7,779)
Closing balance	8,703,908	179,779	8,883,687

¹ Opening balance as determined in accordance with AASB 13.² There have been no transfers between levels of the hierarchy during the year.

The Department deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
NOTE 20: Administered - Financial Assets			
FINANCIAL ASSETS			
Note 20A: Receivables			
Advances and loans:			
Loans to CAC Act bodies ¹	1.20	40,240	3,010
Total advances and loans		40,240	3,010
Other receivables:			
GST receivable from the Australian Taxation Office		5,140	9,396
Other		391	69
Total other receivables		5,531	9,465
Total receivables (gross)		45,771	12,475
Less impairment allowance			
Other receivables		-	22
Total impairment allowance account		-	22
Total receivables (net)		45,771	12,453
Receivables (net) expected to be recovered			
No more than 12 months		5,771	12,453
More than 12 months		40,000	-
Total receivables (net)		45,771	12,453
Receivables (gross) aged as follows			
Not overdue		45,770	12,440
Overdue by:			
61 to 90 days		-	3
More than 90 days		1	32
Total receivables (gross)		45,771	12,475
Impairment allowance aged as follows			
More than 90 days		-	22
Total impairment allowance account		-	22

¹ Loans to CAC Act bodies were made under financial assistance legislation for periods up to 12 years. No security is required. Interest rates are fixed. Principal and interest are repaid annually in arrears. Effective interest rates average 3.46%. (2013: 4.3%).

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 20: Administered - Financial Assets (continued)****Reconciliation of the Impairment Allowance**

	Other receivables \$'000	Total \$'000
Movements in relation to 2014		
Opening balance	22	22
Decrease recognised in net cost of services	(22)	(22)
Closing balance	-	-

Movements in relation to 2013

	25	25
Opening balance	25	25
Decrease recognised in net cost of services	(3)	(3)

Closing balance

	Notes	2014 \$'000	2013 \$'000
Note 20B: Other Investments			
Commonwealth authorities:			
Australian Broadcasting Corporation ¹	25A	1,055,091	1,013,800
Australian Postal Corporation ²	25B	2,526,300	2,192,000
Special Broadcasting Service Corporation ¹	25C	198,541	187,190
		<u>3,779,932</u>	<u>3,392,990</u>
Commonwealth companies:			
NBN Co Limited ¹	25D	4,923,976	3,417,657
		<u>4,923,976</u>	<u>3,417,657</u>
Total other investments		<u>8,703,908</u>	<u>6,810,647</u>

¹ Administered investment valuations are based on the audited net asset balance.² Administered investment valuation is based on the discounted cash flow valuation for 2012-13.**NOTE 21: Administered - Non-Financial Assets****Note 21A: Property, Plant and Equipment****Property, plant and equipment:**

Fair value	182,713	192,653
Accumulated depreciation	(2,934)	(10,760)
Total property, plant and equipment	<u>179,779</u>	<u>181,893</u>

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Revaluation of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1.20. An independent valuer conducted the revaluations as at 31 March 2014 and there was a revaluation increment of \$5.665m.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 21: Administered - Non-Financial Assets (continued)****Note 21B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2013-14)**

	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2013		
Gross book value	192,653	192,653
Accumulated depreciation/amortisation and impairment	(10,760)	(10,760)
Net book value 1 July 2013	181,893	181,893
Revaluations recognised in other comprehensive income	5,665	5,665
Depreciation/amortisation expense	(7,779)	(7,779)
Net book value 30 June 2014	179,779	179,779
 Net book value as of 30 June 2014 represented by:		
Gross book value	182,713	182,713
Accumulated depreciation/amortisation and impairment	(2,934)	(2,934)
	<hr/> 179,779	<hr/> 179,779

Note 21B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2012-13)

	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2012		
Gross book value	263,831	263,831
Accumulated depreciation/amortisation and impairment	(2,880)	(2,880)
Net book value 1 July 2012	260,951	260,951
Depreciation/amortisation expense	(10,482)	(10,482)
Other Movements ¹	(68,576)	(68,576)
Net book value 30 June 2013	181,893	250,469
 Net book value as of 30 June 2013 represented by:		
Gross book value	192,653	192,653
Accumulated depreciation/amortisation and impairment	(10,760)	(10,760)
	<hr/> 181,893	<hr/> 181,893

¹ Other movements in Property, Plant and Equipment relates to the indefeasible rights of use (IRUs) issued by the Commonwealth in relation to the network infrastructure assets to the NBN Co.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
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NOTE 21: Administered - Non-Financial Assets (continued)**Note 21C: Inventories**

Inventories held for distribution	-	170
Total inventories	-	170
Total inventories are expected to be distributed in:		
No more than 12 months	-	170
Total Inventories	-	170

During 2013-14, \$170,209.09 of inventory held for distribution was recognised as an expense (2012-13: \$2,564,590).

No items of inventory were recognised at fair value less cost to sell.

Note 21D: Other Non-Financial Assets

Lease prepayments ¹	7,772	11,086
Supplier prepayments	-	461
Other prepayments	2,609	2,191
Total other non-financial assets	10,381	13,738
Other non-financial assets are expected to be recovered in:		
No more than 12 months	5,923	5,966
More than 12 months	4,458	7,772
Total other non-financial assets	10,381	13,738

¹ Lease prepayments relate to the operation and maintenance obligation relating to infrastructure assets. The contractor is required to operate and maintain Commonwealth assets for a period of five years at no cost to the Commonwealth. The lease incentive is recognised as a lease prepayment and lease income received in advance.

NOTE 22: Administered - Payables**Note 22A: Suppliers**

Trade creditors and accruals	2,501	32,599
Total suppliers	2,501	32,599
Supplier payables expected to be settled		
No more than 12 months	2,501	32,599
Total suppliers	2,501	32,599
Suppliers in connection with		
External parties	2,501	32,599
Total suppliers	2,501	32,599

Settlement was usually made within 30 days.

Note 22B: Subsidies

Subsidies	163	23,844
Total subsidies	163	23,844
Subsidies expected to be settled		
No more than 12 months	163	23,844
Total subsidies	163	23,844
Subsidies in connection with		
External parties	163	23,844
Total subsidies	163	23,844

Settlement was usually made within 30 days.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 22: Administered - Payables (continued)		
Note 22C: Grants		
Public sector:		
Australian Government entities (related entities)	-	330
State and Territory Governments	143	-
Local Governments	289	998
Private sector:		
Non-profit organisations	652	566
Commercial entities	25,425	14,767
Total grants	26,509	16,661

All grants payables are expected to be settled in no more than 12 months. Settlement is usually made according to the terms and conditions of each grant within 30 days of performance or eligibility.

Note 22D: Administered GST Payable		
GST Payable to the Official Public Account	5,743	6,014
Total administered GST payable	5,743	6,014

Administered GST payable is expected to be settled in no more than 12 months.

Note 22E: Other Payables		
Lease income received in advance ¹	18,992	20,521
Total other payables	18,992	20,521

Total other payables are expected to be settled in:

No more than 12 months	1,529	1,529
More than 12 months	17,463	18,992
Total other payables	18,992	20,521

¹ Lease income received in advance relates to the indefeasible rights of use (IRUs) issued by the Commonwealth in relation to the network infrastructure assets. As part of the arrangement for the construction of assets and the issue of IRUs, the Commonwealth has provided a lease incentive to the contractor in the form of a reduction of lease payments that would otherwise be payable to the Commonwealth for the IRUs. The lease incentive is recognised as a lease prepayment and lease income received in advance.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 23: Administered - Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement		
Cash and cash equivalents as per		
Schedule of administered cash flows	-	-
Schedule of administered assets and liabilities	-	-
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities:		
Net (cost of)/contribution by services	(1,369,725)	(1,381,545)
Adjustments for non-cash items		
Depreciation / amortisation	7,779	10,482
Transfer of assets	-	68,576
Movements in assets and liabilities		
Assets		
Decrease in receivables	3,682	7,611
Decrease in inventories	170	2,462
Decrease in other non-financial assets	3,357	3,030
Liabilities		
Increase / (decrease) in supplier payables	(30,098)	14,772
(Decrease) / increase in subsidies payables	(23,681)	19,110
Increase in grants payables	9,848	6,521
Decrease in other payables	(1,529)	(1,529)
Net cash from/(used by) operating activities	(1,400,197)	(1,250,510)

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 24: Administered - Contingent Assets and Liabilities

Quantifiable Contingencies

As at 30 June 2014, the Commonwealth did not have any quantifiable contingencies (2013: nil).

Unquantifiable Contingencies

Networking the Nation

As at 30 June 2014, the Commonwealth is party to legal action brought against it in relation to a possible breach of agreement under the Networking the Nation program. It is not practicable to make an estimate of the outcome of the action at this stage.

NBN Co Limited Board Members Insolvency Indemnity

The Commonwealth has provided each Director of NBN Co with an indemnity against liability as a result of the Commonwealth failing to meet its funding obligations to NBN Co. The liabilities covered by this indemnity would be the same as those covered by the NBN Co Equity Agreement, with the exception of any legal expenses incurred by individual Directors arising from this indemnity. Relevant Directors are also indemnified in relation to claims arising out of their involvement in the negotiation and entry by NBN Co into the Financial Heads of Agreement, dated June 2010, with Telstra.

Significant Remote Contingencies

NBN Co Limited Interim Board Members Indemnity

The Commonwealth indemnified the Interim Directors of NBN Co Limited against any liability in respect of claims or legal costs and expenses in defending claims or undertaking proceedings, which may have arisen during their capacity as directors of the company. The removal of Interim Directors occurred on 6 August 2009. As at 30 June 2014, no claims have been made.

Termination of the Funding Agreement with OPEL

Following the termination of its agreement with OPEL Network Pty Ltd (OPEL) under the Broadband Connect program, the Commonwealth made provision towards costs incurred by OPEL in producing its Implementation Plan. OPEL was wound up on 13 March 2009. The liquidators of OPEL indicated that they consider the Commonwealth to have a liability with regard to the termination of the funding agreement and filed legal proceedings on 5 September 2013. The matter is likely to be heard in later in 2014 or in 2015. The contingent liability is estimated at \$2.9 million.

Telstra Financial Guarantee

The Commonwealth has provided a guarantee to Telstra in respect of NBN Co's financial obligations to Telstra under the Definitive Agreements. The Definitive Agreements are long term contracts and, in the case of the infrastructure component, involve terms of at least 35 years. The liabilities under the Definitive Agreements arise progressively during the roll out of the network as infrastructure is accessed and subscribers to Telstra's existing network are disconnected. As at 30 June 2014, NBN Co has generated liabilities covered by the Guarantee estimated at \$3.4 billion. The Guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is fully capitalised; or
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the national broadband network should be treated as built and fully operational.

Optus Financial Guarantee

The Commonwealth has provided a guarantee to Optus for NBN Co's financial obligations to Optus under the Optus HFC Subscriber Agreement. That Agreement extends for the period of the national broadband network roll out in Optus Hybrid Fibre Coaxial areas. As at 30 June 2014, NBN Co had generated liabilities covered by the Optus Agreement estimated at \$5.1 million. The Guarantee will terminate in 2021.

NBN Co Equity Agreement

The Commonwealth has entered into an Equity Funding Agreement with NBN Co. The Agreement formalises the Commonwealth's intention to provide equity to fund the roll out of the national broadband network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Commonwealth in the event of a termination of the national broadband network roll out to provide sufficient funds to NBN Co to meet its direct costs arising from that termination. The NBN Co Equity Agreement terminates in 2021. As at 30 June 2014, NBN Co's termination liabilities were estimated at \$6.7 billion.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 25: Administered - Investments**

Ownership 2014	Notes 2013	Principal Activity
100	100	A Australian Broadcasting Corporation and controlled entities - National broadcaster contributing to and reflecting Australia's national identity, fostering creativity and the arts and encouraging cultural diversity. A body corporate established under the <i>Australian Broadcasting Corporation Act 1983</i> .
100	100	B Australian Postal Corporation - Provides a high-quality mail delivery service to all Australians and a range of parcel and ancillary services. A body corporate established under the <i>Australian Postal Corporation Act 1989</i> .
100	100	C Special Broadcasting Service Corporation and controlled entity - National Broadcasters providing multicultural and multilingual services that inform, educate and entertain all Australians. A body corporate established under the <i>Special Broadcasting Services Act 1991</i> .
100	100	D NBN Co Limited - To plan, roll out and operate the National Broadband Network, providing access to high speed broadband to all Australian premises. A body corporate established under the <i>Australian Commonwealth Authorities and Companies Act 1997</i> .

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
NOTE 26: Administered - Financial Instruments		
Note 26A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Receivables - loans to CAC Act bodies	40,240	3,010
Receivables - other (net)	391	47
Total loans and receivables	40,631	3,057
Available for sale financial assets:		
Investment in Australian Broadcasting Corporation ¹	1,055,091	1,013,800
Investment in Special Broadcasting Service Corporation ¹	198,541	187,190
Investment in NBN Co Limited ¹	4,923,976	3,417,657
Investment in Australian Postal Corporation ²	2,526,300	2,192,000
Total available for sale financial assets	8,703,908	6,810,647
Total financial assets	8,744,539	6,813,704
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - suppliers	2,501	32,599
Payables - grants	26,509	16,661
Payables - subsidies	163	23,844
Total financial liabilities measured at amortised cost	29,173	73,104
Total financial liabilities	29,173	73,104
¹ Administered investment valuations are based on the audited net asset balance.		
² Administered investment valuation was based on the discounted cash flow valuation for 2012-13.		
Note 26B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	359	248
Impairment	-	3
Net gains on loans and receivables	359	251
Available for sale financial assets		
Australia Post dividend	142,300	243,700
(Loss)/Gain recognised in equity	(1,286,945)	(2,403,173)
Net gain on available for sale financial assets	(1,144,645)	(2,159,473)
Net gains on financial assets	(1,144,286)	(2,159,222)

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the year ended 30 June 2014

NOTE 26: Administered - Financial Instruments (continued)**Note 26C: Credit Risk**

The administered activities of the Department were not exposed to a high level of credit risk as the majority of financial assets are trade receivables, loans to Government controlled and funded entities and investment in Portfolio Agencies. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of financial assets, net of impairment losses, reported in the Schedule of Administered Items represents the maximum exposure to credit risk as \$8,744,538,000 (2013: \$6,813,704,000). Credit risk is managed by undertaking background and credit checks prior to allowing a debtor relationship. In addition, there are policies and procedures that guide debt recovery techniques that are to be applied.

The Department has assessed the risk of the default on payment and has not allocated an amount to an impairment allowance in 2014 (2013: \$22,000).

Credit quality of financial instruments not past due or individually determined as impaired

	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past Due or Impaired	Past Due or Impaired
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Loans and receivables:				
Receivables - loans to CAC Act bodies	40,240	3,010	-	-
Receivables - other	390	34	1	35
Available for sale financial assets:				
Investment in Australian Broadcasting Corporation	1,055,091	1,013,800	-	-
Investment in Special Broadcasting Service Corporation	198,541	187,190	-	-
Investment in NBN Co Limited	4,923,976	3,417,657	-	-
Investment in Australian Postal Corporation	2,526,300	2,192,000	-	-
Total	8,744,538	6,813,691	1	35

Ageing of financial assets that were past due but not impaired for 2014

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables					
Receivables - other	-	-	-	1	1
Total	-	-	-	1	1

Ageing of financial assets that were past due but not impaired for 2013

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables:					
Receivables - other	-	-	3	10	13
Total	-	-	3	10	13

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 26: Administered - Financial Instruments (continued)

Note 26D: Liquidity Risk

The Administered financial liabilities are trade creditors, grants and subsidies payable. The exposure to liquidity risk is based on the notion that the Commonwealth will encounter difficulty in meeting its obligations associated with Administered financial liabilities. This is highly unlikely due to appropriation funding and mechanisms, internal policies and procedures that are currently in place.

All financial liabilities are payable within one year.

Note 26E: Market Risk

Other than Administered Investments the Commonwealth holds basic financial instruments that do not expose the Commonwealth to certain market risks. The Department's Administered activities are not exposed to 'currency risk' and 'other price risk'.

Interest rate risk

'Interest rate risk' refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The only interest bearing item in the closing Schedule of Administered Items is 'loans receivable'. These items have fixed interest and will, therefore, not fluctuate due to changes in the market interest rate.

Other price risk

The Department's administered activities are not exposed to 'Other Price Risk'. Its administered investments are not traded on the Australian Stock Exchange. It does not hold any other financial instruments that would be exposed to price risk.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
NOTE 27: Administered - Financial Assets Reconciliation			
Financial assets			
Total financial assets per administered schedule of assets and liabilities		8,749,679	6,823,100
Less: non-financial instrument components			
GST receivable	20A	5,140	9,396
Total non-financial instrument components		5,140	9,396
Total financial assets as per administered financial instruments note	26A	8,744,539	6,813,704

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 28: Appropriations

Note 28A: Annual Appropriations (‘Recoverable GST exclusive’)

	2014 Appropriations			Appropriation applied in 2014 (current and prior years) \$'000	Variance ^(b) \$'000
	Appropriation Act Annual appropriation \$'000	Appropriations reduced ^(a) \$'000	FMA Act		
DEPARTMENTAL					
Ordinary annual services	111,247	-	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000
Other services	1,141	-	-	6,049	(894)
Total departmental	112,388	-	-	6,049	(894)
ADMINISTERED					
Ordinary annual services	225,590	(36,362)	183	(11,559)	177,822
Administered items	1,327,688	-		-	1,327,688
Payments to CAC Act bodies					(219,758)
Other services	1,379,000	-		-	(1,323,625)
Administered assets and liabilities	43,300	-			43,300
Payments to CAC Act bodies					(4,063)
Total administered	2,915,578	(36,362)	183	(11,559)	2,927,810
					(4,776,883)
					(1,848,873)

Notes:

(a) Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. All unspent administered appropriations lapse at financial year end.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Act (Nos. 1, 3 & 5) 2013–14, the appropriation is taken to be reduced to the required amount specified in Table E of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament. The amount of the reduction under Appropriation Act (Nos. 1, 3 & 5) 2013–14 was \$36,362,000.

(b) Administered variance for assets and liabilities relates to funding for NBN Co Limited that was not required in 2013–14.

NOTE 28: Appropriations (continued)

Note 28A: Annual Appropriations ('Recoverable GST exclusive') (continued)

	2013 Appropriations						Appropriation applied in 2013 (current and prior years) \$'000	
	Appropriation Act		FMA Act		Total appropriation \$'000			
	Annual appropriation \$'000	Appropriations reduced ^(a) \$'000	Section 30 \$'000	Section 31 \$'000				
DEPARTMENTAL								
Ordinary annual services	117,449	-	-	5,054	-	122,503	(116,768)	
Other services	1,200	-	-			1,200	(1,200)	
Total departmental	118,649	-	-	5,054	-	123,703	(117,968)	
ADMINISTERED								
Ordinary annual services	340,192	(70,077)	888		-	271,003	(233,279)	
Administered items	1,273,754	-				1,273,754	(1,273,676)	
Payments to CAC Act bodies							37,724 78	
Other services	4,821,555	-				4,821,555	(2,030,000)	
Administered assets and liabilities	20,000	-				20,000	(20,000)	
Payments to CAC Act bodies							2,791,555	
Total administered	6,455,501	(70,077)	888	-	-	6,386,312	(3,556,955)	
							2,829,357	

Notes:

(a) Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. No decisions were made to reduce departmental appropriations in 2012-13. All unspent administered appropriations lapse at financial year end. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Act (Nos.1, 3 & 5) 2012-13, the appropriation is taken to be reduced to the required amount specified in Table E of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament. The amount of the reduction under Appropriation Act (Nos.1, 3 & 5) 2012-13 was \$70,077,000.

(b) Administered variance for assets and liabilities relates to funding for NBN Co Limited that was not required in 2012-13.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 28: Appropriations (continued)

Note 28B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2014 Capital Budget Appropriations		Capital Budget Appropriations applied in 2014 (current and prior years)		
	Appropriation Act	FMA Act	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ² \$'000	Payments for other purposes \$'000
DEPARTMENTAL			Section 32 \$'000		
Ordinary annual services					
Departmental Capital Budget ¹	4,264	-	(20)	4,244	(2,919)
ADMINISTERED					
Ordinary annual services					
Administered Capital Budget ¹	-	-	-	-	-

Notes:

¹ Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Note 28A: Annual appropriations.

² Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

NOTE 28: Appropriations (continued)

Note 28B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive') (continued)

	2013 Capital Budget Appropriations			Capital Budget Appropriations applied in 2013		
	Appropriation Act	FMA Act	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ² \$'000	Payments for other purposes \$'000	Total payments \$'000
DEPARTMENTAL	Annual Appropriations reduced \$'000	Section 32				
Ordinary annual services						
Departmental Capital Budget ¹	4,259	-	4,259	(4,259)	-	(4,259)
ADMINISTERED	Ordinary annual services					
Administered Capital Budget ¹	-	-	-	-	-	-

Notes:

¹ Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Note 28A. Annual appropriations.

² Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 28: Appropriations (continued)

Note 28C: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

Authority	2014 \$'000	2013 \$'000
DEPARTMENTAL		
Cash and cash equivalents	576	588
Appropriation Act (No.1) 2013-2014	10,057	-
Appropriation Act (No.2) 2013-2014	638	-
Appropriation Act (No.1) 2012-2013	1,082	12,577
Appropriation Act (No.3) 2012-2013	1,602	1,602
Appropriation Act (No.1) 2011-2012*	1,305	1,304
Appropriation Act (No.3) 2011-2012*	4,133	4,133
Appropriation Act (No.1) 2010-2011*	5,186	5,186
Appropriation Act (No.3) 2010-2011*	107	107
Appropriation Act (No.1) 2009-2010**	-	2,214
Appropriation Act (No.2) 2009-2010**	-	482
Appropriation Act (No.2) 2008-2009**	-	46
Appropriation Act (No.3) 2008-2009**	-	2,903
Appropriation Act (No.2) 2007-2008**	-	147
Appropriation Act (No.1) 2006-2007**	-	1,436
Appropriation Act (No.3) 2006-2007**	-	10,977
Appropriation Act (No.4) 2006-2007**	-	49
Appropriation Act (No.4) 2005-2006**	-	171
Appropriation Act (RTS) 2005-2006**	-	3,459
Appropriation Act (No.1) 2004-2005**	-	33,379
Appropriation Act (No.2) 2004-2005**	-	8
Appropriation Act (No.4) 2004-2005**	-	250
Total departmental	24,686	81,018
ADMINISTERED		
Appropriation Act (No.1) 2013-2014	27,902	-
Appropriation Act (No.2) 2013-2014	129,000	-
Appropriation Act (No.1) 2012-2013	8,698	83,645
Appropriation Act (No.2) 2012-2013	2,031,555	2,791,555
Appropriation Act (No.3) 2012-2013	78	7,966
Appropriation Act (No.1) 2011-2012	2,803	2,838
Appropriation Act (No.2) 2011-2012	-	879,274
Appropriation Act (No.5) 2011-2012	-	-
Appropriation Act (No.2) 2010-2011	-	300,726
Total Administered	2,200,036	4,066,004

* These appropriations are subject to the Omnibus Repeal Day (Autumn 2014) Act 2014 which is currently awaiting Royal assent.
 The effect of the Act will be to repeal these appropriations.

** These appropriations were subject to the Statute Stocktake (Appropriations) Act 2013 which received Royal assent on 1 July 2013.
 The effect of the Act was to repeal these appropriations.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 28: Appropriations (continued)****Note 28D: Table D: Special Appropriations Applied ('Recoverable GST exclusive')**

Authority	Type	Purpose	Appropriation applied	
			2014 \$'000	2013 \$'000
<i>Telstra Corporation Act 1991, section 8BA(3).</i> Nature: Administered	Unlimited Amount	for the payment of compensation-constitutional safety net	-	-
<i>Financial Management and Accountability Act 1997, section 39.</i> Nature: Administered	Unlimited Amount	for the investment of public money	-	-
<i>Financial Management and Accountability Act 1997, section 28(2).</i> Nature: Administered	Refund Provisions	to provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment	1	1
Total			1	1

**Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014**

NOTE 28: Appropriations (continued)

Note 28E: Reduction in Administered Items ('Recoverable GST exclusive')

Reduction in Administered Items for 2014		Amount required² - by Appropriation Act Act (No.1)	Amount required² - by Appropriation Act Act (No.3)	Total amount required²	Total amount appropriated³	Total reduction⁴
Ordinary Annual Services¹						
Outcome 1		189,227,627.12	-	189,227,627.12	225,590,000.00	36,362,372.88

¹ Administered items for 2013-14 were reduced to these amounts when these financial statements were tabled in Parliament as part of the entity's 2013-14 annual report. This reduction was effective in 2014-15, but the amounts were reflected in Table A in the 2013-14 financial statements in the column 'Appropriations reduced' as they were adjustments to 2013-14 appropriations.

² Amount required as per Appropriation Act (Act 1 s.11).

³ Total amount appropriated in 2013-14.

⁴ Total reduction effective in 2014-15.

Note 28E: Reduction in Administered Items ('Recoverable GST exclusive')

Reduction in Administered Items for 2013		Amount required² - by Appropriation Act Act (No.1)	Amount required² - by Appropriation Act Act (No.3)	Total amount required²	Total amount appropriated³	Total reduction⁴
Ordinary Annual Services¹						
Outcome 1		270,115,202.02	-	270,115,202.02	340,192,000.00	70,076,797.98

¹ Administered items for 2012-13 were reduced to these amounts when these financial statements were tabled in Parliament as part of the entity's 2012-13 annual report. This reduction was effective in 2013-14, but the amounts were reflected in Table A in the 2012-13 financial statements in the column 'Appropriations reduced' as they were adjustments to 2012-13 appropriations.

² Amount required as per Appropriation Act (Act 1 s.11).

³ Total amount appropriated in 2012-13.

⁴ Total reduction effective in 2013-14.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 29: Special Accounts****Note 29A: Special Accounts ('Recoverable GST exclusive')**

	BAF Communications Portfolio	
	Special Account ¹	
	2014	2013
	\$'000	\$'000
Balance brought forward from previous period	-	-
Increases:		
Building Australia Fund receipts	-	366,445
Total increases	-	366,445
Available for payments	-	366,445
Decreases:		
Administered		
Payments made	-	(366,445)
Total administered decreases	-	(366,445)
Total decreases	-	(366,445)
Total balance carried to the next period	-	-

¹Appropriation: *Financial Management and Accountability Act 1997*, section 21.

Establishing Instrument: *Nation-building Funds Act 2008*, section 68.

Purpose: To make payments in relation to the creation or development of communications infrastructure; and eligible national broadband network matters.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTE 30: Compensation and Debt Relief	2014 \$	2013 \$
Compensation and Debt Relief - Departmental		
No 'Act of Grace payments' were expensed during the reporting period (2013: nil).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2013: nil).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2013: nil).	-	-
No ex-gratia payments were provided for during the reporting period (2013: nil).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> (PS Act) during the reporting period (2013: nil)	-	-
Compensation and Debt Relief - Administered		
No 'Act of Grace payments' were expensed during the reporting period (2013: nil).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2013: nil).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2013: nil).	-	-
No ex-gratia payments were provided for during the reporting period (2013: nil).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> (PS Act) during the reporting period (2013: nil)	-	-

NOTE 31: Assets Held in Trust

Monetary assets

The Department has no monetary assets held in trust in either the current or prior reporting period.

Non-monetary assets

The Department has no non-monetary assets held in trust in either the current or prior reporting period.

Department of Communications**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
*for the year ended 30 June 2014***NOTE 32: Reporting of Outcomes****Note 32A: Net Cost of Outcome Delivery**

The Department reports only on one outcome. All of the Department's departmental and administered revenue, expenses, assets and liabilities are allocated to Outcome 1 in the table below.

	Payments to CAC Act					
	Outcome 1 ¹		bodies ²		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Departmental						
Expenses	114,842	121,668	-	-	114,842	121,668
Own-source income	3,363	2,920	-	-	3,363	2,920
Administered						
Expenses	190,769	353,616	1,323,625	1,273,676	1,514,394	1,627,292
Own-source income	144,669	245,747	-	-	144,669	245,747
Net cost of outcome delivery	157,579	226,617	1,323,625	1,273,676	1,481,204	1,500,293

¹ Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 1 Resourcing Table on page 158 of this Annual Report.

² Payments to CAC Act bodies are not related to the outcomes of the Department.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
--	----------------	----------------

NOTE 33: Net Cash Appropriation Arrangements

From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations	2,000	1,782
Less: depreciation/amortisation expenses previously funded through revenue appropriation	(6,421)	(7,094)
Total comprehensive income - as per the Statement of Comprehensive Income	(4,421)	(5,312)

Section Five Appendices

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Appendix 1—Agency resource statement and expenses for outcome

Table 5.1 Agency resource statement 2013–14

Agency resource statement 2013–14			
	Actual available appropriation for 2013–14 \$'000	Payments made 2013–14 \$'000	Balance remaining 2013–14 \$'000
	(a)	(b)	(a)–(b)
Ordinary Annual Services			
Prior year Departmental appropriation	79,865	65,862	14,003
Departmental appropriation ¹	106,983	97,645	9,338
Departmental Capital Budget ²	4,264	2,919	1,345
s32 Transfers	(894)	(894)	–
s31 Relevant agency receipts	6,049	6,049	–
Total	196,267	171,581	24,686
Administered expenses			
Prior year Administered appropriation	94,449	82,870	
Outcome ¹	225,590	136,888	
Payments to CAC Act Bodies ¹	1,327,688	1,323,625	
Total	1,647,727	1,543,383	
Total ordinary annual services	A	1,843,994	1,714,964
Departmental non-operating			
Prior year departmental appropriations	1,153	1,153	–
Equity injections ³	1,141	503	638
Previous year's programs	–	–	–
Total	2,294	1,656	638
Administered non-operating			
Prior year administered appropriations	3,971,555	–	
Administered assets and liabilities	1,379,000	3,190,000	
Payments to CAC Act Bodies—non-operating ³	43,300	43,300	
Total	5,393,855	3,233,300	
Total other services	B	5,396,149	3,234,956
Total available annual appropriations and payments		7,240,143	4,949,920

Agency resource statement 2013–14

	Actual available appropriation for 2013–14 \$'000	Payments made 2013–14 \$'000	Balance remaining 2013–14 \$'000
	(a)	(b)	(a)–(b)
Special Accounts			
Opening balance	–		
Non-appropriation receipts to Special Accounts	–		
Payments made		–	
Total Special Account⁴	C –	–	–
Total resourcing and payments			
A+B+C	7,240,143	4,949,920	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations	(1,370,988)	(1,366,925)	
Total net resourcing and payments	5,869,155	3,582,995	

1 Appropriation Bill (No.1) 2013–14 and Appropriation Bill (No.3) 2013–14.

2 For accounting purposes, this amount has been designated as 'contributions by owners'.

3 Appropriation Bill (No.2) 2013–14 and Appropriation Bill (No.4) 2013–14.

4 This relates to the Building Australia Fund Communications Portfolio Special Account. It does not include 'Special Public Money' held in accounts like Other Trust Monies accounts (OTM).

5 Amounts presented in this table exclude GST where applicable.

Table 5.2 Expenses for Outcome 1

Expenses for Outcome 1			
	Budget¹ 2013–14 \$'000	Actual Expenses 2013–14 \$'000	Variation 2013–14 \$'000
	(a)	(b)	(a)–(b)
Program 1.1: Digital Technologies and Communications Services			
Administered expenses	202,835	190,770	12,065
Ordinary annual services (Appropriation Bill No. 1)	188,942	176,855	12,087
Other services (Appropriation Bill No. 2)	–	–	–
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year ²	13,893	13,915	(22)
Departmental expenses	115,872	114,842	1,030
Departmental appropriation ³	108,792	107,844	948
Special appropriations	–	–	–
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year ²	7,080	6,998	82
Total for Program 1.1	318,707	305,612	13,095

Expenses for Outcome 1

	Budget ¹ 2013–14 \$'000	Actual Expenses 2013–14 \$'000	Variation 2013–14 \$'000
	(a)	(b)	(a)–(b)
Outcome 1 Totals by appropriation type			
Administered Expenses	202,835	190,770	12,065
Ordinary annual services (Appropriation Bill No. 1)	188,942	176,855	12,087
Expenses not requiring appropriation in the Budget year ²	13,893	13,915	(22)
Departmental expenses	115,872	114,842	1,030
Departmental appropriation ³	108,792	107,844	948
Expenses not requiring appropriation in the Budget year ²	7,080	6,998	82
Total expenses for Outcome 1	318,707	305,612	13,095
 Average Staffing Level (number)			
	530	529	1

1 Full year budget, including subsequent adjustment made to the 2013–14 Budget.

2 Expenses not requiring appropriation in the Budget year is made up of issuing of IRUs, depreciation expense, amortisation expense, exchange rate movements, inventory expense and audit fees.

3 Departmental Appropriation combines "Ordinary annual services (Appropriation Bill No. 1)" and "Revenue from independent sources (s31)".

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as Government priorities change.

Appendix 2—Legislation and statutory instruments

Telecommunications

- > Australian Competition and Consumer Commission (Accounting Separation—Telstra Corporation Limited) Direction (No. 1) 2013 Instrument of Revocation 2014
- > Carrier Licence Conditions (NT Technology Services Pty Ltd) Declaration 2014
- > Carrier Licence Conditions (OptiComm Co Pty Ltd) Declaration 2013
- > Carrier Licence Conditions (Optus Mobile Pty Ltd) Declaration 1997 Instrument of Revocation 2014
- > Carrier Licence Conditions (Optus Networks Pty Ltd) Declaration 1997 Instrument of Revocation 2014
- > Carrier Licence Conditions (Pivit Pty Ltd) Declaration 2013
- > Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 (Amendment No. 1 of 2014)
- > Carrier Licence Conditions (Urban Renewal Authority Victoria t/a Places Victoria Pty Ltd) Declaration 2014
- > Carrier Licence Conditions (Vodafone Pty Limited) Declaration 1997 Instrument of Revocation 2014
- > Levy Amount Formula Modification Determination 2014
- > Telecommunications (Carrier Licence Charges) Determination Under Paragraph 15(1)(a) No. 1 of 2014
- > *Telecommunications Legislation Amendment (Consumer Protection) Act 2014*
- > *Telecommunications Legislation Amendment (Submarine Cable Protection) Act 2014*
- > Telecommunications (Overall Levy Cap Amount) Instrument 2013
- > Telecommunications Universal Service Obligation (First Declaration Deferral Period) Declaration 2014
- > Telstra Carrier Charges—Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005 (Amendment No. 1 of 2014)

Digital Services and Strategy

- > Australian Communications and Media Authority (Spectrum Allocation—Post-Auction Review) Direction No. 1 of 2013
- > Radiocommunications Amendment (Cellular Mobile Repeaters Supply—Specified Particulars) Regulation 2013
- > Radiocommunications Amendment (Datacasting Transmitter Licence) Regulation 2013
- > Radiocommunications (Duration of Community Television Transmitter Licences) Determination No. 1 of 2008 (Amendment No. 1 of 2013)
- > Radiocommunications (Spectrum Designation) Notice No. 1 of 2014

Broadcasting

- > Australian Broadcasting Corporation (Definition of senior political staff member) Instrument 2014
- > Australian Broadcasting Corporation (Selection criteria for the appointment of non-executive Directors) Determination 2013
- > Broadcasting, Communications and the Digital Economy (Spent and Redundant Instruments) Repeal Regulation 2013
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 9 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 10 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 11 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 12 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 13 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 14 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 15 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 16 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 17 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 18 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 19 of 2013)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 1 of 2014)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 2 of 2014)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 3 of 2014)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 4 of 2014)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 5 of 2014)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 6 of 2014)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 7 of 2014)
- > Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 8 of 2014)
- > Broadcasting Services (Exempt Digital Transmission Areas) Determination (No. 3) 2013
- > Broadcasting Services (Regional Commercial Radio) Regulation 2013
- > Special Broadcasting Service Corporation (Selection criteria for the appointment of non-executive Directors) Determination 2013

Appendix 3—Staffing statistics (30 June 2014)

Table 5.3 Full-time and part-time staff—30 June 2014

Ongoing				Non-Ongoing				Total	
Full-time		Part-time		Full-time		Part-time		Casual	
Male	Female	Male	Female	Male	Female	Male	Female	Male	
205	218	10	43	2	13	0	2	2	495

Note: These figures include staff employed by the Department as at 30 June 2014 and exclude all inoperative staff.* These figures include the departmental Secretary.

* Inoperatives are defined as those staff who were recorded as being on leave without pay as at 30 June 2014 for a total period greater than 13 weeks.

Table 5.4 Staff by classification groups and location—30 June 2014

State	APS	APS	APS	APS	APS	APS	EL	EL	SESB	SESB	SESB	SEC	Location
	1	2	3	4	5	6	1	2	1	2	3	1	total
ACT	2	2	14	48	58	95	158	70	20	5	3	1	476
NSW					2	1	12	1	1	1			18
TAS								1					1
Classification	2	2	14	48	60	96	170	72	21	6	3	1	495
total													

Note: The above data is based on substantive classifications. Local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels. The departmental Secretary is included. Inoperative staff are excluded.

Table 5.5 SES Staff—30 June 2014

	Female	Male	SES total
SESB1	11	10	21
SESB2	2	4	6
SESB3	1	2	3
Gender total	14	16	30

Note: These figures reflect substantive occupancy and exclude inoperative staff.

Table 5.6 Staff in equal employment opportunity (EEO) groups—30 June 2014

Male	Female	Total staff 1	DCLB	ATSI	PWD	Total staff 2
219	276	495	64	4	11	79
44%	56%		13%	1%	2%	16%

Key to Table 5.6

Total staff 1: Ongoing and non-ongoing staff based on their substantive classification as at 30 June 2014.

Total staff 2: Total number of staff who chose to provide EEO information and this may include 'no' responses to some questions.

DCLB: Staff who reported they are from diverse linguistic backgrounds.

ATSI: Aboriginal and/or Torres Strait Islander peoples.

PWD: Staff who reported they have a disability.

Note: The above table excludes inoperative staff.

Table 5.7 Salary range of employees 2013–14

Classification	Enterprise Agreement		Individual Arrangements*	
	Salary Range (\$)		Salary Range (\$)	
	Lowest	Highest	Lowest	Highest
APS1	43,224	47,466	N/A	N/A
APS2	48,629	53,900	N/A	N/A
APS3	55,305	59,751	N/A	N/A
APS4	61,989	66,995	N/A	N/A
APS5	69,110	75,308	71,057	71,057
APS6	76,207	92,224	80,041	109,236
EL1	92,637	122,404	112,454	130,675
EL2	106,791	143,263	135,309	155,668
SES	N/A	N/A	165,360	277,023

Note: Part-time salaries have been annualised to full-time for comparison. This table excludes all inoperative staff. Classifications with local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels.

* Includes Common Law Contract, Individual Flexibility Arrangements and section 24(1) Determinations and supplementary arrangements.

Table 5.8 Performance payments 2013–14

Classification	Number of staff paid	Aggregate amount (\$)	Average amount (\$)	Lowest amount (\$)	Highest amount (\$)
EL1	39	216,642.94	5,554.95	1,565.42	16,334.38
EL2	31	280,325.96	9,042.77	2,452.96	18,207.00
Total	70	496,968.90			

Note: Classifications with local designations, for example Legal and Public Affairs, have been subsumed into equivalent APS or EL levels. This table includes all staff who received a performance payment for 2012–13 (includes terminated and inoperative staff as at 30 June 2014).

Table 5.9 Performance payments 2012–13, paid in 2013–14

Classification	Number of staff paid	Aggregate amount (\$)	Average amount (\$)	Lowest amount (\$)	Highest amount (\$)
EL1	5	13,234.25	2,646.85	599.21	7,431.90
EL2	0				
Total	5	13,234.25			

Note: Classifications with local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels.

Appendix 4—Advertising and market research

In the 2013–14 financial year, the Department paid a total of \$9,389,812.53 GST inclusive to the following agencies and organisations.

Table 5.10 Advertising agencies

Organisation	Purpose	Amount (\$)
BMF	Creative Services	64,287.00
Total advertising agencies		64,287.00

Table 5.11 Market research organisations

Organisation	Purpose	Amount (\$)
Orima	Market Research	1,280,716.74
Colmar Brunton Research	Market Research	47,272.73
Total market research organisations		1,327,989.47

Table 5.12 Direct mail organisations

Organisation	Purpose	Amount (\$)
CanPrint Communications P/L	Direct Mail	29,545.24
Total direct mail		29,545.24

Table 5.13 Media advertising organisations

Organisation	Purpose	Amount (\$)
Mediabrands Australia Pty Ltd	Media buys for Retune and Digital Switchover	7,962,493.59
Adcorp	Below the line advertising	5,560.71
Total media advertising		7,968,054.30

During 2013–14, we carried out advertising campaigns for Digital Switchover and Retune. Further information is available on our [website](#) and in the [reports](#) on Australian Government advertising prepared by the Department of Finance.

Section Six

Reference information

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6

Acronyms and Glossary

Acronyms

ABC	Australian Broadcasting Corporation
ACCAN	Australian Communications Consumer Action Network
ACMA	Australian Communications and Media Authority
ANAO	Australian National Audit Office
APS	Australian Public Service
CAC	<i>Commonwealth Authorities and Companies Act 1997</i>
CBF	Community Broadcasting Foundation
CEIs	Chief Executive's Instructions
CPRs	Commonwealth Procurement Rules
ELF	Executive Leadership Forum
EMG	Executive Management Group
FMA	<i>Financial Management and Accountability Act 1997</i>
FOI	Freedom of Information
FTTN	Fibre-to-the-node
FTTP	Fibre-to-the-premises
HAS	Household Assistance Scheme
HSC	Health and Safety Committee
IGB	Incoming Government Brief
IPS	Information Publication Scheme
IRC	Implementation Risk Committee
LCCs	Local Community Contacts
NBN	National Broadband Network
NFP	Not for profit
NICTA	National Information Communications Technology Australia
NRS	National Relay Service

PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PGPA	<i>Public Governance and Performance Accountability Act 2013</i>
SAU	Special Access Undertaking
SBS	Special Broadcasting Service
SES	Senior Executive Service
SMEs	Small-to-medium enterprises
SSS	Satellite Subsidy Scheme
TAP	Teachers and Parents Advisory Group
TUSMA	Telecommunications Universal Service Management Agency
VAST	Viewer Access Satellite Television
WCC	Workplace Consultative Committee
WHS	Work Health and Safety
YAG	Youth Advisory Group

Glossary

Activity	What an agency does to convert inputs into outputs.
Additional estimates	Where amounts appropriated at Budget time are insufficient, Parliament may appropriate more funds to portfolios through the Additional Estimates Acts.
Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Agency	Agencies are Departments of State, Departments of Parliament and 'prescribed agencies' for the purposes of the <i>Financial Management and Accountability Act 1997</i> . Where the term is used generally in this document, it is meant to refer to departments, agencies, authorities and non-commercial companies.
Appropriation	An authorisation by Parliament to spend monies from the Consolidated Revenue Fund for a particular purpose.
APS employee	A person engaged under section 22, or a person who is engaged as an APS employee under section 72, of the <i>Public Service Act 1999</i> .
Assets	Future economic benefits controlled by an entity as a result of past transactions or other past events.
Chief Executive's Instructions	Instructions on the administration of the Department issued by the Secretary under Regulation 6 of the Financial Management and Accountability Regulations 1997.
Consultancy services	Consultancy services are one particular type of service delivered under a contract for services. They are distinguished from other contracts for services by the nature of the work performed. A consultant is an entity, whether an individual, a partnership or a corporation, engaged to provide professional, independent and expert advice or services. Typically, the term consultancy services is used to describe the application of expert professional skills to investigate or diagnose a defined issue or problem, carry out defined research, reviews or evaluations, or to provide independent advice, information or creative solutions to help the agency in management decision-making.
Corporate Governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Deliverables	The tangible product of a programme that should be measurable or quantifiable units or activities.
Depreciation	An expense recognised systematically for the purpose of allocating the cost of a non-current asset over its useful life.
Digital dividend	Refers to the radiofrequency spectrum currently used for analog television, which is freed up by the switchover from analog to digital-only television.
Enterprise Agreement	A written agreement about working conditions and wages made between an employer and its employees.

Expense	Total value of all of the resources consumed in producing goods and services.
Financial results	The results shown in the financial statements of an agency.
Key performance indicators	The basis on which to assess the effectiveness of a programme in achieving its objectives.
Liabilities	Future sacrifices of economic benefits that an entity is presently obliged to make to other entities as a result of past transactions or other past events.
NBN Co Limited	The company established by the Government to build and operate the NBN.
Non-ongoing employee	A person engaged as an APS employee under subsection 22(2)(b) or 22(2)(c) of the <i>Public Service Act 1999</i> .
Ongoing employee	A person engaged as an ongoing APS employee under subsection 22(2)(a) of the <i>Public Service Act 1999</i> .
Outcomes	The results, impacts or consequences of actions by the Commonwealth on the Australian community.
Structural Separation	The separation of ownership of Telstra's retail business units from the ownership of its customer access network. Such separation prevents Telstra as a network owner advantaging its downstream retail operations to the detriment of its competitors. Within the NBN Co fibre rollout area, it will be achieved by the migration of Telstra's customer services to the NBN Co fibre network as that network is rolled out.
Universal service obligation	The universal service obligation ensures standard telephone services are reasonably accessible to all people in Australia (other than people in designated STS areas) on an equitable basis, wherever they reside or carry on business; and ensures payphones are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business.

Corrections to the Annual Report 2012–13

At Appendix 4, page 163 of the Annual Report 2012–13, the explanatory note that appears under table 5.9 incorrectly refers to that table including 'all staff who received a performance payment in 2010–11'. This footnote should have referred to 2011–12 period, not 2010–11 period.

Compliance index

Part of Report	Description	Requirement	Page
	Letter of transmittal	Mandatory	III
	Table of contents	Mandatory	IV, V
	Index	Mandatory	180–186
	Glossary	Mandatory	172–173
	Contact officer(s)	Mandatory	II
	Internet home page address and Internet address for report	Mandatory	II
Review by Secretary			
	Review by departmental secretary	Mandatory	2–5
	Summary of significant issues and developments	Suggested	2–5
	Overview of department's performance and financial results	Suggested	2–5
	Outlook for following year	Suggested	4–5
	Significant issues and developments—portfolio	Portfolio departments –suggested	N/A
Departmental Overview			
	Role and functions	Mandatory	6–12
	Organisational structure	Mandatory	10
	Outcome and programme structure	Mandatory	7
	Where outcome and programme structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	N/A
	Portfolio structure	Portfolio departments –mandatory	12

Part of Report	Description	Requirement	Page
Report on Performance			
	Review of performance during the year in relation to programmes and contribution to outcomes	Mandatory	14–52
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	14–52
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	14–52
	Narrative discussion and analysis of performance	Mandatory	14–52
	Trend information	Mandatory	14–52
	Significant changes in nature of principal functions/services	Suggested	N/A
	Performance of purchaser/provider arrangements	If applicable, suggested	N/A
	Factors, events or trends influencing departmental performance	Suggested	14–52
	Contribution of risk management in achieving objectives	Suggested	58
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	59
	Discussion and analysis of the department's financial performance	Mandatory	69–71
	Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	69–71
	Agency resource statement and summary resource tables by outcomes	Mandatory	158–161

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Management and Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency complies with the 'Commonwealth Fraud Control Guidelines'	Mandatory	III, 58
	Statement of the main corporate governance practices in place	Mandatory	56–60
	Names of the senior executive and their responsibilities	Suggested	8–10
	Senior management committees and their roles	Suggested	54–56
	Corporate and operational plans and associated performance reporting and review	Suggested	56–57
	Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks	Suggested	58
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	59
	How nature and amount of remuneration for SES officers is determined	Suggested	68
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	59
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	59
	Reports by the Auditor-General, a Parliamentary Committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	59

Part of Report	Description	Requirement	Page
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	65–68
	Workforce planning, staff retention and turnover	Suggested	68
	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and Australian Workplace Agreements (AWAs)	Suggested	68
	Training and development undertaken and its impact	Suggested	66
	Work health and safety performance	Suggested	68
	Productivity gains	Suggested	N/A
	Statistics on staffing	Mandatory	164–165
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	68, 165
	Performance pay	Mandatory	166
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	71
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	72
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	72
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	73
Exempt contracts	Contracts exempted from publication in AusTender	Mandatory	73
Financial Statements	Financial Statements	Mandatory	76–156

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Other Mandatory Information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	68
	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	167
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	64
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	N/A
	Grant programmes	Mandatory	73
	Disability reporting—explicit and transparent reference to agency level information available through other reporting mechanisms	Mandatory	67
	Information Publication Scheme statement	Mandatory	60
	Correction of material errors in previous annual report	If applicable, mandatory	174
	Agency Resource Statements and Resources for Outcomes	Mandatory	158–161
	List of Requirements	Mandatory	175–179

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